Mitie Treasury Management Limited

Annual Report and Financial Statements

Registered number 07351242

31 March 2020

Contents

Company information

Directors

S C Kirkpatrick
D M Forbes
P J G Dickinson

Secretary

Mitie Company Secretarial Services Limited

Registered office

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

Auditor

BDO LLP
Statutory Auditor
55 Baker Street
London
W1U 7EU

Strategic report

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

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

Review of the business
The principal activity of the Company is to raise external debt finance for Mitie Group plc. There have not been any significant changes in the Company's principal activities in the year under review. The Company holds the defined benefit pension scheme for Mitie Group plc. As at 31 March 2020 the net liability for the defined pension scheme stands at £45,440,000 (2019: £61,425,000). The Company did not receive dividends (2019: £39,413,000) from its subsidiaries during the year. As shown in the profit and loss account on page 12, the loss for the year was £10,834,000 (2019: profit £36,978,000).

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

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

Key risks include:

Strategic risks

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

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

The Company does not trade externally and is therefore not significantly affected by the impact of COVID-19 pandemic financially. The Directors continue to monitor the situation closely and are taking all required steps to manage risks effectively.

Financial risks

Reliance on material counterparties

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

Strategic report *(continued)*

Operational risks
Significant health, safety or environmental incidents

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

System, process or control failure

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

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

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.

The Directors have reviewed the financial risk management objectives and policies of the Company. The Group's Treasury function monitors and manages the financial risks relating to the operations of the Group. These risks include interest rate risk, foreign currency risk, liquidity risk and credit risk. The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by Group policies and reviewed regularly. Group policy is not to trade in financial instruments.

The Company holds a number of cross currency interest rate swaps designated as cash flow hedges. Bi-annual fixed interest cash flows arising over the period to December 2022 and denominated in US$ for the US Private Placement market are exchanged for fixed interest cash flows denominated in sterling. All cash flow hedges were assessed as being highly effective as at 31 March 2020.

Section 172 statement
The board of directors of Mitie Group plc ("Mitie") is referred to in this statement as the "Board".

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

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

Strategic report *(continued)*

Stakeholder	Engagement activity	Areas of interest identified
Banks and noteholders	- Regular and ad hoc meetings and calls - Results presentations, post-results roadshows and stock exchange announcements	- Financial performance - Governance and transparency
Shareholder	- Regular senior leadership meetings	- Financial performance - People and culture
Communities and the environment	- The Mitie Foundation - Local community events - Employee volunteering	- Social value - Reduction in carbon emissions
Employees[1]	- Upload engagement survey - *Townhall meetings and Team Talk Live* - Back to Floor sessions	- Reward and recognition - *Remuneration and benefits* - Career opportunities and development - Effective data, systems and processes
Suppliers	- Supplier conferences and workshops - Global supplier portal	- Responsible procurement - Prompt payment code

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

<u>Consequences of any decision in the long term</u>
The Directors are aware that strategic decisions can have long term implications on the Company and its stakeholders, and these decisions are carefully considered.

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

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

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

Recognising the need for effective processes and efficient working, the Directors endorsed the 'Simplifying Mitie' campaign which encourages employees to make suggestions to improve this. The Directors recognise that those using the technology and observing processes every day and best placed to make the suggestions for improvement. As a result of Simplifying Mitie feedback, several improvements have been implemented, including the launch of a new supplier on-boarding portal (see below).

<u>Fostering business relationships with suppliers, customers and others</u>
The Directors aim to ensure the Company's suppliers adhere to Mitie's supplier code of conduct and selects a supply chain according to how Mitie can best support SME's and local enterprises.

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

Strategic report *(continued)*

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

Example: The Directors have been involved in Mitie's Plan Zero commitment, pledging that the company will reach net zero carbon emissions by 2025.

Example: Through the Mitie Foundation, Mitie offers a range of volunteering activities for employees, including in schools, academies and colleges, in prisons and with ex-offenders and with people with disabilities.

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

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

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

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

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

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

Post balance sheet events
Subsequent events have been disclosed in Note 16.

Approved by the Board and signed on its behalf by:

DocuSigned by:
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S C Kirkpatrick
Director

25 November 2020

Directors' report

The Directors present the annual report and audited financial statements of Mitie Treasury Management Limited for the year ended 31 March 2020.

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

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

Directors
The Directors who held office during the year and subsequently were:

Director	Date of appointment	Date of resignation
M Idle		29/01/2020
G Bonthron		06/05/2020
D M Forbes		
P J G Dickinson		
S C Kirkpatrick	30/01/2020	

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

Dividends
No dividend was declared or paid in the year (2019: no dividend).

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

The COVID-19 pandemic has had limited impact on the performance for the year ended 31 March 2020. Due to the nature of its operations, and the fact that the company does not generate revenue, the impact of COVID-19 pandemic is expected to be limited.

Employees
The Company recognises the importance of good communications and employee relationships. The Group communicates with employees via multiple channels, including Group-wide mailings, employee magazines and updates, employee-focused initiatives, and events (including Group business road shows, media networks and the provision of access to broadcasts of periodic financial presentations).

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

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

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

Directors' report *(continued)*

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

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

Disclosure of information to auditor

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

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

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

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

On behalf of the Board

DocuSigned by:
7C53DEA07E394E2...
S C Kirkpatrick
Director

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

25 November 2020

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

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

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

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

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

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

Independent auditor's report to the members of Mitie Treasury Management Limited

Opinion

We have audited the financial statements of Mitie Treasury Management Limited for the year ended 31 March 2020 which comprise the Profit and loss account, Statement of comprehensive income, Balance sheet, Statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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 auditor's report to the members of Mitie Treasury Management Limited

(continued)

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent auditor's report to the members of Mitie Treasury Management Limited
(continued)

Use of our report

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

Scott McNaughton (Senior Statutory Auditor)
for and on behalf of BDO LLP, Statutory Auditor
London, UK

25 November 2020

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

Profit and loss account

	Note	**2020** **£000**	2019 £000
Administrative expenses		**(2,178)**	(6,999)
Investment impairment	*8*	**(15,703)**	(286)
Operating loss		**(17,881)**	(7,285)
Income from shares in group undertakings		**-**	39,413
Interest receivable and similar income	*5*	**27,479**	29,343
Interest payable and similar expenses	*6*	**(20,270)**	(23,976)
(Loss)/profit before tax		**(10,672)**	37,495
Tax	*7*	**(162)**	(517)
(Loss)/profit for the year		**(10,834)**	36,978

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

The notes on pages 16 to 39 form an integral part of these financial statements.

Statement of comprehensive income

	Note	2020 £000	2019 £000
(Loss)/profit for the year		**(10,834)**	36,978
Items that will not be reclassified to profit or loss in subsequent years			
Remeasurement of defined benefit pension liability	12	**7,955**	(13,601)
Income tax on items that will not be reclassified to profit or loss	11	**(1,016)**	2,312
		6,939	(11,289)
Items that are or may be reclassified to profit or loss in subsequent years			
Net change in fair value of cash flow hedges reclassified to profit or loss		**5,676**	1,656
		5,676	1,656
Other comprehensive income/(expense) for the year		**12,615**	(9,633)
Total comprehensive income for the year		**1,781**	27,345

The notes on pages 16 to 39 form an integral part of these financial statements.

Balance sheet

	Note	2020 £000	2019 £000
Non-current assets			
Derivative financial instruments	14	**28,015**	16,425
Investments in subsidiaries	8	**662,084**	664,371
Deferred tax assets	11	**9,330**	11,490
Total non-current assets		**699,429**	692,286
Current assets			
Debtors	9	**587,947**	589,798
Derivative financial instruments	14	**241**	-
Total current assets		**588,188**	589,798
Current liabilities			
Creditors	10	**(365,781)**	(348,855)
Total current liabilities		**(365,781)**	(348,855)
Net current assets		**222,407**	240,943
Non-current liabilities			
Creditors	10	**(226,862)**	(224,051)
Retirement benefit liabilities	12	**(45,440)**	(61,425)
Total non-current liabilities		**(272,302)**	(285,476)
Net assets		**649,534**	647,753
Capital and reserves			
Called up share capital	13	**554,034**	554,034
Share premium account	13	**105,973**	105,973
Hedging and translation reserves	13	**821**	(4,855)
Profit and loss account	13	**(11,294)**	(7,399)
Shareholders' funds		**649,534**	647,753

The notes on pages 16 to 39 form an integral part of these financial statements.

The financial statements of Mitie Treasury Management Limited, company number 07351242, were approved by the Board of Directors and authorised for issue on 25 November 2020 and were signed on its behalf by:

DocuSigned by:
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S C Kirkpatrick
Director

Statement of changes in equity

	Called up share capital £000	Share premium account £000	Hedging and translation reserve £000	Profit and loss account £000	Total equity £000
At 1 April 2018	554,034	105,973	(6,511)	(34,883)	618,613
Profit for the year	-	-	-	36,978	36,978
Other comprehensive income/(expense)	-	-	1,656	(11,289)	(9,633)
Total comprehensive income	-	-	1,656	25,689	27,345
Total contributions from owner	-	-	-	1,795	1,795
At 31 March 2019	554,034	105,973	(4,855)	(7,399)	647,753
At 1 April 2019	**554,034**	**105,973**	**(4,855)**	**(7,399)**	**647,753**
Loss for the year	-	-	-	**(10,834)**	**(10,834)**
Other comprehensive income	-	-	**5,676**	**6,939**	**12,615**
Total comprehensive income/(expense)	-	-	**5,676**	**(3,895)**	**1,781**
At 31 March 2020	**554,034**	**105,973**	**821**	**(11,294)**	**649,534**

The notes on pages 16 to 39 form an integral part of these financial statements.

Notes

1 Accounting policies, judgements and estimates

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

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

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

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

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

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

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

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

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

Notes *(continued)*

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

c) Basis of preparation *(continued)*

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

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

The Group's and Enlarged Group's principal debt financing arrangements are, and will be, a £250m revolving credit facility, which expires on 16 December 2022, and £151.5m of US private placement notes (being the repayment amount based on the original dollar exchange rates when issued), of which £121.5m are repayable in December 2022 and the remaining £30.0m in December 2024. These financing arrangements are subject to certain financial covenants which are tested every six months on a rolling 12-month basis. Bank consent, required in respect of the acquisition of Interserve Facilities Management, has already been received and Mitie currently operates within the terms of its agreements with its lenders.

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

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

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

- **a further downturn in revenues:** this reflects the risks of not being able to deliver services to existing customers, or contracts being terminated or not renewed;
- **a deterioration of gross margin:** this reflects the risks of contracts being renegotiated at lower margins, or planned cost savings not being delivered;
- **lack of planned overhead savings:** this reflects the risks of planned overhead cost savings not being delivered; and
- **downturn in cash generation:** this reflects the risks of customers delaying payments due to liquidity constraints, or the removal of ancillary debt facilities.

Notes *(continued)*

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

c) Basis of preparation *(continued)*

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

- current trading is performing above the base case;
- the reverse stress test scenario would require a decline in revenue for the Enlarged Group of over 30% in the second half of the year to 31 March 2021 against the base case. In the year to 31 March 2022 the required revenue decline for the Enlarged Group would have to exceed 25% compared to the base case. These scenarios are considered to be remote given the high proportion of public sector and 'fixed billing' revenue;
- the RWC downside scenario for both the Group and the Enlarged Group assumes that the impact from the second COVID-19 lockdown would be more severe than the first, resulting in revenues being an additional 10% lower than experienced in the first COVID-19 lockdown, despite the Government's need to ensure national economic activity is supported through any future restrictions. Also, in that scenario it would be expected to see increased opportunities from COVID-19 testing and vaccinations, meaning that the implied revenue decline in other areas of the business is even greater than the overall additional 10% assumed in the RWC downside scenario; and
- in the event that results started to trend significantly below the base case, additional mitigation actions have been identified that would be implemented, which are not factored into the reverse stress test scenarios. These include cancellation of discretionary bonuses, temporary pay cuts and reduced investments in discretionary areas of spend.

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

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

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

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

- a Cash Flow Statement and related notes;
- comparative period reconciliations for share capital;
- the statement of compliance with Adopted IFRSs;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of Key Management Personnel; and
- disclosure in respect of related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

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

- certain disclosures required by IFRS 7 *Financial Instruments: Disclosures.*

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

Notes *(continued)*

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

c) Basis of preparation *(continued)*

Measurement convention
The financial statements are prepared on the historical cost basis except for derivative financial instruments that are stated at their fair value.

d) Significant accounting policies

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

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

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

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

Notes *(continued)*

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

d) Significant accounting policies *(continued)*

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

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

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 other debtors that are measured at initial recognition at fair value and subsequently at amortised cost. 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. The Company recognises a loss allowance for expected credit losses ("ECLs") on receivable balances 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 payables, and financing liabilities. These are measured at initial recognition at fair value and subsequently at amortised cost with the exception of derivative financial instruments which are measured at fair value. Financing liabilities are stated at the amount of the net proceeds after deduction of transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement.

Derivative financial instruments and hedge accounting
The Company uses derivative financial instruments, including cross-currency interest rate swaps and forward foreign exchange contracts, to manage the Company'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 income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship.

The Company may designate certain hedging instruments including derivatives as either 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.

At the inception of the hedge relationship, the Company 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 Company 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.

Notes *(continued)*

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

d) Significant accounting policies *(continued)*

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 Company's translation and hedging reserve. The gain or loss relating to any ineffective portion is recognised immediately in the income statement.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the income statement in the periods when the hedged item is recognised in the 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 Company 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 income statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the profit and loss account.

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

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

Retirement benefit costs
The Company participated in 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 they fall due.

In addition, the Company operates the Mitie Group plc Pension Scheme. The Company 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. Actuarial gains and losses on obligations, the return on scheme assets (excluding interest) and the effect of the asset ceiling (if applicable) are recognised in full in the period in which they occur. They are recognised in the statement of comprehensive income.

Defined benefit pension costs (including curtailments) are recognised in the profit or loss, in administrative expenses whilst the net interest cost is recognised in interest payable and similar expenses.

The retirement benefit liability recognised in the balance sheet represents the present value of the defined benefit obligation, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Notes *(continued)*

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

d) Significant accounting policies *(continued)*

Current service cost and past service cost are recognised in profit and loss, in administrative expenses, whilst the net interest cost is recognised in net finance costs.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

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

e) Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

Measurement of defined benefit pension obligations
The net pension liability at 31 March 2020 was £45,440,000 (2019: £61,426,000).
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 12 for further details and a sensitivity analysis for the key assumptions.

Deferred tax assets
The Company has recognised deferred tax assets of £9,330,000 (2019: £11,490,000), refer to Note 11. The Directors have assessed recovery of these assets with reference to the Company's medium-term forecasts. Recovery of these assets is subject to the Company generating taxable profits in future years.

Notes *(continued)*

2 Auditor's remuneration

The audit fee for the year of £20,000 (2019: £6,000) was borne by Mitie Group plc and no amount was allocated or recharged to the Company in the year (2019: £nil).

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

3 Staff numbers and costs

Mitie Treasury Management Limited had no employees in the year ended 31 March 2020 (2019: nil). The directors of the Company are remunerated by Mitie Limited and no costs were recharged to the Company. See Note 4.

4 Directors' remuneration

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

Director	**Remunerated by**	**Disclosed by**
P J G Dickinson	Mitie Limited	Mitie Limited
M Idle	Mitie Limited	Mitie Limited
S C Kirkpatrick	Mitie Limited	Mitie Limited

G Bonthron and D M Forbes received no remuneration in relation to qualifying services as a Director for this Company during the current and prior year.

Notes *(continued)*

5 Interest receivable and similar income

	2020 £000	2019 £000
Bank interest	**340**	113
Interest receivable and similar from Group undertakings	**27,139**	29,230
Total interest receivable and similar income	**27,479**	29,343

6 Interest payable and similar expenses

	2020 £000	2019 £000
Interest payable and similar on bank loans and overdrafts	**2,927**	3,331
Private placement interest and fees	**7,634**	7,815
Interest payable to Group undertakings	**8,352**	11,540
Net pension scheme interest	**1,357**	1,290
Total interest payable and similar expenses	**20,270**	23,976

7 Tax

Analysis of charge in the year	2020 £000	2019 £000
UK corporation tax at *19% (2019:* 19%)		
Current tax on profit for the period	**(912)**	355
Adjustments in respect of prior periods	**(70)**	40
Total current tax	**(982)**	395
Origination and reversal of temporary timing differences	**1,875**	260
Restatement of opening deferred tax balances	**(843)**	-
Reduction in statutory tax rate	**-**	(138)
Adjustments in respect of prior periods	**112**	-
Total deferred tax	**1,144**	122
Total charge for the year	**162**	517

Tax recognised directly in reserves	2020 £000	2019 £000
Deferred tax	**1,016**	(2,312)
Total tax recognised directly in reserves	**1,016**	(2,312)

Notes *(continued)*

7 Tax *(continued)*

Reconciliation of effective tax rate	**2020** **£000**	2019 £000
(Loss)/profit before tax	**(10,672)**	37,495
Tax using the UK corporation tax rate of 19% (2019: 19%)	**(2,028)**	7,124
Restatement of opening deferred tax balances	**(843)**	-
Reduction in statutory tax rate in deferred tax balances	**-**	(137)
Expenses not deductible for tax purposes	**7**	638
Non-taxable income from shares in Group undertakings	**-**	(7,148)
Impairment of investment in subsidiary	**2,984**	-
Adjustments in respect of prior periods	**42**	40
Total tax expense	**162**	517

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 £843,000 (2019: £nil) has been included in the tax charge. A further credit of £496,000 (2019: £nil) has been incorporated within the tax on other comprehensive income. The UK deferred tax assets at 31 March 2020 reflect this change.

8 Investments in subsidiaries

The Company has the following investments in Group undertakings.

	Shares in Group undertakings £000
Cost	
At 1 April 2018	711,562
Additions	8,753
Reduction in contingent considerations	(3,827)
At 31 March 2019	716,488
Additions	13,416
At 31 March 2020	**729,904**
Provisions for impairment	
At 1 April 2018	51,831
Impairment	286
At 31 March 2019	52,117
Impairment	15,703
At 31 March 2020	**67,820**
Net book value	
At 31 March 2019	664,371
At 31 March 2020	**662,084**

The Company impaired its investment in Mitie Investments Limited by £15,703,000.

Notes *(continued)*

8 Investments in subsidiaries *(continued)*

Company	Country of incorporation	Class of shares held	Ownership 2020
Care & Custody (Health) Limited	England and Wales	Ordinary	100%
Cole Motors Limited*	England and Wales	Ordinary	100%
Direct Enquiries Holdings Limited	England and Wales	Ordinary (all classes) and redeemable preference	100%
Global Aware International Group Limited	England and Wales	Ordinary	100%
Global Aware International Ltd	England and Wales	Ordinary	100%
Jabez Holdings Limited*	England and Wales	Ordinary	100%
Mitie Aviation Security Limited	England and Wales	Ordinary	99.9%
Mitie Belgium BVBA	Belgium	Ordinary	100%
Mitie Belgium Security BVBA*	Belgium	Ordinary	100%
Mitie Built Environment Limited	England and Wales	Ordinary and preferred	100%
Mitie Business Services Limited	England and Wales	Ordinary (all classes) and deferred	100%
Mitie Business Services UK Limited*	England and Wales	Ordinary (all classes)	100%
Mitie Care and Custody Limited	England and Wales	A Ordinary	100%
Mitie Cleaning & Environmental Services Limited	England and Wales	Ordinary	100%
Mitie Cleaning Services Limited	England and Wales	Ordinary (all classes)	100%
Mitie Client Services Limited	England and Wales	Ordinary (all classes)	100%
Mitie Company Secretarial Services Limited*	England and Wales	Ordinary	100%
Mitie Compliance Ltd	England and Wales	Ordinary (all classes)	100%
Mitie Deutschland GmbH*	Germany	Ordinary	100%
Mitie Document Solutions Limited	England and Wales	Ordinary (all classes)	100%
Mitie Dormant (No.1) Limited	England and Wales	Ordinary (all classes)	100%
Mitie Engineering Limited	England and Wales	A Ordinary	100%
Mitie Engineering Services (Bristol) Limited	England and Wales	Ordinary	100%
Mitie Engineering Services (Guernsey) Limited	Guernsey	Ordinary	100%
Mitie Engineering Services (Jersey) Limited	Jersey	Ordinary	100%
Mitie Engineering Services (Northern Region) Limited	England and Wales	Ordinary (all classes)	100%
Mitie Engineering Services (Wales) Limited	England and Wales	Ordinary	100%
Mitie Engineering Services Limited	England and Wales	Ordinary	100%
Mitie Environmental Limited*	England and Wales	Ordinary (all classes)	100%
Mitie España, S.L.*	Spain	Ordinary	100%
Mitie Events & Leisure Services Limited	England and Wales	Ordinary-A	100%
Mitie Facilities Management Limited	Ireland	Ordinary-A, ordinary-B1, ordinary-B20 to -B29, ordinary-B30 -B32	100%
		Ordinary-B2 to -B19	50%
Mitie NI Limited	Northern Ireland	Ordinary	100%
Mitie France SAS*	France	Ordinary	100%

Notes *(continued)*

8 Investments in subsidiaries *(continued)*

Mitie Group Pension Scheme Trustee Company Limited*	England and Wales	Ordinary	100%
Mitie Holdings Limited*	England and Wales	Ordinary	100%
Mitie Infrastructure Limited	England and Wales	A Ordinary	100%
		B Ordinary	95%
Mitie Integrated Facilities Management Limited	England and Wales	Ordinary (all classes) and deferred	100%
Mitie International Limited*	England and Wales	Ordinary	100%
Mitie Investments Limited*	England and Wales	Ordinary	100%
Mitie Justice Limited	England and Wales	Ordinary	100%
Mitie Landscapes Limited	England and Wales	Ordinary (all classes)	100%
Mitie Limited	England and Wales	Ordinary	100%
Mitie Local Services Limited	England and Wales	Ordinary (all classes)	100%
Mitie Managed Services Limited	England and Wales	Ordinary and deferred	100%
Mitie Nederland B.V.*	Netherlands	Ordinary	100%
Mitie Norge Aksjeselskap*	Norway	Ordinary	100%
Mitie PFI Limited	England and Wales	Ordinary (all classes)	100%
Mitie Polska Sp. z o.o.*	Poland	Ordinary	100%
Mitie Resources Limited	England and Wales	Ordinary	100%
Mitie Schweiz GmbH*	Switzerland	Ordinary	100%
Mitie Scotgate Limited	England and Wales	Ordinary	100%
Mitie Security (London) Limited	England and Wales	Ordinary	100%
Mitie Security Holdings Limited	England and Wales	Ordinary (all classes)	100%
Mitie Security Limited	England and Wales	Ordinary	100%
Mitie Services (Retail) Limited	England and Wales	Ordinary (all classes)	100%
Mitie Shared Services Limited*	England and Wales	Ordinary	100%
Mitie Suomi Oy*	Finland	Ordinary	100%
Mitie Sverige AB*	Sweden	Ordinary	100%
Mitie T S 2 Limited	England and Wales	Ordinary-B	100%
Mitie Technical Facilities Management Holdings Limited*	England and Wales	Ordinary	100%
Mitie Technical Facilities Management Limited	England and Wales	Ordinary (all classes)	100%
Mitie Transport Services Limited	England and Wales	Ordinary (all classes)	100%
Mitie Trustee Limited*	England and Wales	Ordinary	100%
Mitie Waste & Environmental Services Limited	England and Wales	Ordinary-A	100%
		Ordinary-B	1%
Mitie Work Wise Limited	England and Wales	Ordinary (all classes)	100%
Parkersell Limited	England and Wales	Ordinary	100%
Procius Limited	England and Wales	Ordinary (all classes)	100%

Notes *(continued)*

8 Investments in subsidiaries *(continued)*

Robert Prettie & Co Limited	England and Wales	Ordinary	100%
Service Management International Asia Pacific PTE. Ltd.	Singapore	Ordinary	100%
Source Eight Limited	England and Wales	Ordinary	100%
		Ordinary-A, ordinary-B	51%
Source8 Africa Limited	England and Wales	Ordinary (all classes)	100%
Source8 Delivery (Nigeria) Limited	Nigeria	Ordinary	100%
Source8 Services FZLLC	United Arab Emirates	Ordinary	100%
UK CRBS Limited	England and Wales	Ordinary (all classes)	100%
Utilyx Asset Management Limited	England and Wales	Ordinary	100%
Utilyx Asset Management Projects Limited	England and Wales	Ordinary	100%
Utilyx Broking Limited	England and Wales	Ordinary	100%
Utilyx Healthcare Energy Services Limited	England and Wales	Ordinary	100%
Utilyx Holdings Limited	England and Wales	Ordinary	100%
Utilyx Limited	England and Wales	Ordinary	100%
Utilyx Risk Management Limited	England and Wales	Ordinary	100%
Vision Security Group Limited*	England and Wales	Ordinary	100%
Vision Security Group Systems Limited	England and Wales	Ordinary	100%
VSG Payroll Services Limited	England and Wales	Ordinary	100%
VSG Staff Hire Limited	England and Wales	Ordinary	100%
VSG Systems Direct Limited	England and Wales	Ordinary	100%
Wealthy Thoughts Limited	England and Wales	Ordinary	100%

* Held directly by the Company.

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

Company	Registered office address
Mitie Belgium BVBA	Regus Brussels South Station, Marcel Broodthaersplein 8 (box 5), 1060 Brussels (Sint-Gillis), Belgium
Mitie Belgium Security BVBA	Regus Brussels South Station, Marcel Broodthaersplein 8 (box 5), 1060 Brussels (Sint-Gillis), Belgium
Mitie Deutschland GmbH	Meßstetter Straße 8, 70567, Stuttgart, Germany
Mitie Engineering Services (Guernsey) Limited	Martello Court, Admiral Park, St Peter Port, GY1 3HB, Guernsey
Mitie Engineering Services (Jersey) Limited	13 Castle Street, St Helier, JE4 5UT, Jersey
Mitie España, S.L.	Osborne Clarke, Avenida Diagonal, 477, Planta 20, 08036, Barcelona, Spain
Mitie Facilities Management Limited	108 Q House, Furze Road, Sandyford, Dublin 18, Ireland
Mitie France SAS	259 rue St Honore, 75001, Paris, France
Mitie NI Limited	Clara House, Office B5, Dunmurry Office Park, 37A Upper Dunmurry Lane, Belfast, Northern Ireland, BT17 0AA, United Kingdom
Mitie Nederland B.V.	Hoofdweg 52A, 3067 GH Rotterdam, P.O. Box 8540, 3009 AM Rotterdam, 3009 AM Rotterdam, Netherlands

Notes *(continued)*

8 Investments in subsidiaries *(continued)*

Mitie Norge Aksjeselskap	Kongensgate 9, 0153, Oslo, Norway, Norway
Mitie Polska Sp. z o.o.	Solec 22, 00-410, Warsaw, Poland
Mitie Schweiz GmbH	Brandschenkestrasse 90, CH-8027, Zurich, Switzerland
Mitie Suomi Oy	c/o Ov Visma Services Infocon Ab, Pormestarinrine 8, 00160 Helsinki, Finland
Mitie Sverige AB	Kungsgatan 55 , 111 22 Stockholm, Sweden, Sweden
Service Management International Asia Pacific PTE. Ltd.	65 Chulia Street, #38-02/03, OCBC Centre, Singapore, 049513
Source8 Delivery (Nigeria) Limited	235 Ikorodu Road, Ilupeju, Lagos, Nigeria
Source8 Services FZLLC	17 The Iridium Building, Um Suqueim Road, Al Barsha, Dubai, PO BOX 391186, U

Notes *(continued)*

9 Debtors

	2020 £000	2019 £000
Amounts owed by Group undertakings	**582,400**	585,124
Other debtors	**4,908**	4,603
Corporation tax	**639**	-
Interest receivable	**-**	70
Taxation and social security	**-**	1
Total	**587,947**	589,798

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

Amounts owed by Group undertakings are repayable on demand.

Included within amounts owed from Group undertakings above is £575,579,000 (2019: £539,801,000) relating to loans bearing interest at 5% per annum (2019: 5% per annum).

10 Creditors

	2020 £000	2019 £000
Bank loans and overdrafts	**139,631**	153,766
Trade creditors	**17**	5
Amounts owed to Group undertakings	**272,588**	204,098
Corporation tax	**-**	358
Other creditors	**71**	53
Accruals	**183**	138
Interest payable	**2,220**	2,598
Private placement notes (see note 14)	**177,933**	211,890
	592,643	572,906
Included in current liabilities	**365,781**	348,855
Included in non-current liabilities	**226,862**	224,051
Total	**592,643**	572,906

Included within amounts owed to Group undertakings above is £270,232,698 (2019 £120,000,000) relating to a loan bearing interest at 5% per annum (2019: 5% per annum).

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

The RCF loans and private placement notes are unsecured but have financial and non-financial covenants and obligations commonly associated with these arrangements.

Mitie Treasury Management Limited is part of Mitie Group's cash-pooling arrangements with certain banks for cash management purposes.

Notes *(continued)*

11 Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2020	2019
	£000	£000
Provisions	**9,330**	11,490
Net tax Assets	**9,330**	11,490

Movement in deferred tax during the year

	1 April 2019	**Recognised in income**	**Recognised in equity**	**31 March 2020**
	£000	**£000**	**£000**	**£000**
Provisions	11,490	(1,144)	(1,016)	**9,330**
	11,490	(1,144)	(1,016)	**9,330**

Movement in deferred tax during the prior year

	1 April 2018	Recognised in income	Recognised in equity	31 March 2019
	£000	£000	£000	£000
Provisions	9,300	(122)	2,312	11,490
	9,300	(122)	2,312	11,490

The Company has not recognised a deferred tax asset in respect of unutilised tax losses of £nil (2019: £nil).

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 consequence deferred tax balances are now valued using the 19% corporation tax rate. The opening deferred tax balances, previously valued using the 17% rate, have therefore been restated by £1,339,000 in the current period. £843,000 of this adjustment has been recognised in income and £496,000 in equity.

Notes *(continued)*

12 Retirement benefit schemes

Defined benefit schemes

The Company operates the Mitie Group plc Pension Scheme (Group scheme), which 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 scheme closed to new members in 2006, with new employees able to join one of the defined contribution schemes. The main Group scheme has now been closed as of October 2017.

Pensions in payment are generally increased in line with RPI inflation, subject to certain caps and floors. Benefits are payable on death and other events such as withdrawal from active service.

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 net 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 out performance. 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 2017.

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.

All Group companies account for the contributions to the Group scheme payable in respect of their employees and as part of a Group arrangement the Company accounts for the other income, expenses, gains, losses, assets and liabilities of the scheme.

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 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 (54%) 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. The Group believes that equities and DGFs offer the best returns over the long-term with an acceptable level of risk and hence 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 17% 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.

Notes *(continued)*

12 Retirement benefit schemes *(continued)*

Risks and risk management *(continued)*

Changes in bond yields	Falling bond yields tend to increase the funding and accounting liabilities. 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 liabilities. In this way, the exposure to movements in bond yields is reduced.
Inflation risk	The majority of the 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 schemes' obligations are to provide a pension for the life of the member, so unexpected increases in life expectancy will result in an increase in the obligations.

Areas of risk management

Although investment decisions in the scheme are the responsibility of the Trustee, the Group takes an active interest to ensure that pension plan risks are managed efficiently. 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.

The information disclosed below is in respect of the whole of the plan for which the Company is allocated a responsibility under an agreed Group policy throughout the periods shown. The pension liability was transferred from another Group company, on 14 November 2017, as part of a flexible apportionment agreement.

The Company's employees are eligible to participate in either the Mitie Group plc Pension Scheme (a defined benefit scheme), Mitie Group's defined contribution schemes or, for certain employees transferred under TUPE, various Admitted Body Schemes, which are all part of the Local Government Pension Scheme.

The Company does not account for the other income, expenses, gains, losses, assets and liabilities of the scheme; details of the scheme are set out in note 30 to the Mitie Group plc's annual report and account 2020. The total expense relating to defined contribution plans in the year was £23,645,000 (2019: £16,667,000).

The information disclosed below is in respect of the Group scheme.

	2020	2019
	£000	£000
Fair value of scheme assets	**190,992**	190,433
Present value of defined benefit obligation	**(236,432)**	(251,858)
Net pension liability	**(45,440)**	(61,425)

Notes *(continued)*

12 Retirement benefit schemes *(continued)*

Movements in net defined benefit liability

	Defined benefit obligation		Fair value of scheme assets		Net pension liability	
	2020	2019	**2020**	2019	**2020**	2019
	£000	£000	**£000**	£000	**£000**	£000
Balance at 1 April	**(251,858)**	(236,977)	**190,433**	182,270	**(61,425)**	(54,707)
Included in profit or loss						
Current service cost	**(307)**	(393)	**-**	-	**(307)**	(393)
Administrative expense	**-**	-	**(700)**	(1,142)	**(700)**	(1,142)
Past service cost	**-**	(1,601)	**-**	-	**-**	(1,601)
Interest (cost)/income	**(5,973)**	(6,057)	**4,616**	4,766	**(1,357)**	(1,291)
	(258,138)	(245,028)	**194,349**	185,894	**(63,789)**	(59,134)
Included in OCI						
Remeasurements (loss)/gain:						
Actuarial (loss)/gain arising from:						
- Change in financial assumptions	**17,390**	(13,614)	**-**	-	**17,390**	(13,614)
- Experience adjustment	**(1,612)**	(1,292)	**-**	-	**(1,612)**	(1,292)
Actuarial (losses)/gains on scheme assets	**-**	-	**(7,823)**	1,306	**(7,823)**	1,306
	(242,360)	(259,934)	**186,526**	187,200	**(55,834)**	(72,734)
Other						
Contributions paid by the employer	**-**	1	**10,394**	11,306	**10,394**	11,307
Contributions paid by the scheme members	**(34)**	(40)	**34**	41	**-**	1
Benefits paid	**5,962**	8,115	**(5,962)**	(8,114)	**-**	1
Balance at 31 March 2020	**(236,432)**	(251,858)	**190,992**	190,433	**(45,440)**	(61,425)

Plan assets

	2020	2019
	£000	£000
Cash and cash equivalents	**4,677**	5,945
Equity instruments	**54,346**	51,637
Debt instruments - Corporate bonds	**28,815**	51,923
Debt instruments - Government bonds	**53,653**	27,122
Real estate	**16,649**	16,802
Diversified growth fund	**32,852**	37,004
Total	**190,992**	190,433

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.

Notes *(continued)*

12 Retirement benefit schemes *(continued)*

Further information in respect of the Group scheme
The table below sets out the details of the latest funding valuation of the Group scheme as at 31 March 2017.

Following the £13,454,000 payments made during the period from November 2017 to 31 March 2019, the Group paid additional contributions of £9,480,000 to the Group scheme during the year ended 31 March 2020.

Under the concluded schedule for payments, a further £55,350,000 is payable in instalments by 31 March 2025, which, if the assumptions above are borne out in practice, should eliminate the deficit by 31 March 2025.

The table below sets out the details of the latest funding valuation of the Group scheme as at 31 March 2017.

Details of latest funding valuation	
Date of last formal funding valuation	31 March 2017
Assets at valuation date	£178.7 million
Funding liabilities at valuation date	£252.7 million
Deficit at valuation date	£74.0 million

The total contribution rate is between 40.1% and 45.0% of annual pay for the remaining active members. The employer contribution rate is the balance of the total cost after deducting the employee rate, which ranges depending on section and earnings. The total contribution excludes any allowances for expenses met by the scheme.

Actuarial assumptions

The Company is required to pay regular contributions as decided by the Scheme Actuary and detailed in the Scheme's Schedule of Contributions.

The following are the principal actuarial assumptions at the reporting date:

	2020	2019
Discount rate at 31 March	**2.35**	2.40
Expected rate of pensionable pay increases	**2.50**	3.20
Retail price inflation	**2.50**	3.20
Consumer price inflation	**1.70**	2.20
Future pension increases	**3.20**	3.50

Accounting assumptions

The assumptions used in calculating the accounting costs and obligations of the Group's defined benefit pension scheme 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, with a lower 'best-estimate' allowance for future improvements to mortality.

Notes *(continued)*

12 Retirement benefit schemes *(continued)*

The sensitivity of the defined benefit obligation for the Group scheme to changes in the principal assumptions is shown in the table below:

	Increase in assumption	Increase/(decrease) in obligations	Increase / (decrease) in obligations £m
Discount rate	0.1%	(1.9)%	(4.4)
RPI inflation*	0.1%	0.9%	2.2
CPI inflation (excluding pay)	0.1%	0.6%	1.5
Life expectancy	1 year	4.1%	9.7

* Including other inflation-linked assumptions (CPI inflation, pension increases, salary growth).

The sensitivity information shown above has been prepared using the same method as adopted when adjusting the results of the latest funding valuation to the balance sheet date.

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, thus 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 19 years for the Group scheme.

13 Capital and reserves

Share capital authorised and fully paid	**2020 Number**	2019 Number	**2020 £000**	2019 £000
Ordinary shares				
Ordinary shares at £1 each	**554,034,024**	554,034,024	**554,034**	554,034
	554,034,024	554,034,024	**554,304**	554,034

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

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

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

Hedging and translation reserve
The hedging and translation reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Notes *(continued)*

14 Financial instruments

Classification

The Company's principal financial assets are trade and other debtors and derivative financial instruments. The derivative financial instruments are held at fair value through profit and loss (FVTPL) and trade and other debtors are held at amortised cost.

The Company's principal financial liabilities are trade and other creditors and financing liabilities. With the exception of derivative financial instruments, all financial liabilities are held and measured at amortised cost.

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the basis for recognition of income and expense) for each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

Derivative financial instruments are measured at fair value.

Fair value measurements are classified into three levels, depending on the degree to which the fair value is observable:

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; and
Level 3 fair value measurements are those derived from valuation techniques using inputs that are not based on observable market data.

The Directors consider that the Company's derivative financial instruments fall into Level 2. There were no transfers between levels during the year. Fair values of these instruments are calculated based on a discounted cash flow analysis using appropriate market information for the duration of the instruments. All contracts are gross settled.

Private placement notes

Following the issue on 16 December 2010 of US$96.0m and £40.0m of private placement (PP) notes in the United States Private Placement market, on 13 December 2012, the Company issued a further US$153.0m and £55.0m of PP notes. The PP notes are unsecured and rank pari passu with other senior unsecured indebtedness of the Company. In order to manage the risk of foreign currency fluctuations and to manage the Company's finance costs through a mix of fixed and variable rate debt, the Company has entered into cross-currency interest rate swaps. The swap contracts have the same duration and other critical terms as the borrowings and are considered to be highly effective. The amount, maturity and interest terms of the PP notes are as shown below.

Tranche	Maturity date	Amount	Interest terms	Swap interest
10 year	16 December 2022	US$76.0m	US$ fixed at 3.85%	£ fixed at 4.02%
10 year	16 December 2022	US$77.0m	US$ fixed at 3.85%	£ fixed at 4.02%
10 year	16 December 2022	£25.0m	£ fixed at 3.87%	n/a
12 year	16 December 2024	£30.0m	£ fixed at 4.04%	n/a

The weighted average interest rates paid during the year on the external overdrafts and loans outstanding were as follows:

	2020	2019
	%	%
Overdraft	**1.4**	2.7
Bank loans	**1.1**	1.6
Private placement notes	**4.0**	4.1

Risk management objectives

The Company's treasury function monitors and manages the financial risks relating to the operations of the Company. These risks include those arising from interest rates, foreign currencies, liquidity, credit and capital management. The Company 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 Company policies and reviewed regularly. Company policy is to not trade in financial instruments. The risk management policies remain unchanged from the previous year.

Notes *(continued)*

14 Financial instruments *(continued)*

Interest rate risk
The Company's activities expose it to the financial risks of interest rates. The Company's Treasury function reviews its risk management strategy on a regular basis and will appropriately 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 for both derivative and non-derivative instruments at the balance sheet date. All financial liabilities, other than financing liabilities, are interest free.

If underlying interest rates had been 0.5% higher/lower and all other variables were held constant, the Company's profit after tax for the year ended 31 March 2020 and reserves would decrease/increase by £0.8m (2019: £0.8m).

Foreign currency risk
The Company has limited exposure to transactional foreign currency risk from trading transactions in currencies other than the functional currency. The Company considers the need to hedge its exposures as appropriate and will enter into forward foreign exchange contracts to mitigate any significant risks.

In addition, the Company has fully hedged the US dollar exposure on its private placement notes into sterling using cross-currency interest rate swaps (see Hedging activities below).

Included in bank loans were £9.5m (2019: £13.1m) of loans denominated in foreign currency.

Liquidity risk
The Company monitors its liquidity risk using a cash flow projection model which considers the maturity of the Company's assets and liabilities and the projected cash flows from operations. Bank loans under committed facilities, which allow for appropriate headroom in the Company's daily cash movements, are then arranged.

The tables below summarise the maturity profile (including both un-discounted interest and principal cash flows) of the Company's external financing liabilities excluding bank overdrafts.

	Within one year	**In the second to fifth years**	**After five years**	**Total**
Financial liabilities at 31 March 2020	**£000**	**£000**	**£000**	**£000**
Private placement notes	**6,077**	**191,202**	**-**	**197,279**
Bank loans	**50,341**	**278**	**-**	**50,619**
Financial liabilities[1]	**56,418**	**191,480**	**-**	**247,898**

	Within one year	In the second to fifth years	After five years	Total
	£000	£000	£000	£000
Financial liabilities at 31 March 2019				
Private placement notes	47,391	160,415	30,909	238,715
Bank loans	53,895	1,413	-	55,308
Financial liabilities[1]	101,286	161,828	30,909	294,023

Note:
1. Financing liabilities maturity profile is exclusive of the £28,256,000 (2019: £16,425,000) derivative asset which would naturally offset the settlement value of maturing private placement notes in financial liabilities.

Credit risk
The Company's credit risk is monitored on an ongoing basis. The value of business placed with financial institutions is reviewed on a daily basis.

The Company'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.

Notes *(continued)*

14 Financial instruments *(continued)*

Capital management risk
The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity. The Company is not subject to externally imposed regulatory capital requirements.

Hedging activities
Cash flow hedges
The Company holds a number of cross-currency interest rate swaps designated as cash flow hedges on US$153m of PP 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 sterling. All cash flow hedges were assessed as being highly effective as at 31 March 2020.

Derivative financial instruments
The carrying values of derivative financial instruments at the balance sheet date were as follows:

	Assets 2020 £000	Assets 2019 £000
Derivative financial instruments hedging private placement notes[1]	28,256	16,425
Total	28,256	16,425
Included in current assets	241	-
Included in non-current assets	28,015	16,425
Total	28,256	16,425

Note:
1. Derivative financial instruments hedging private placement notes comprise cross-currency interest rate swaps designated as cash flow hedges.

15 Related parties

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

16 Subsequent events

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

17 Ultimate parent company and parent company of larger group

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