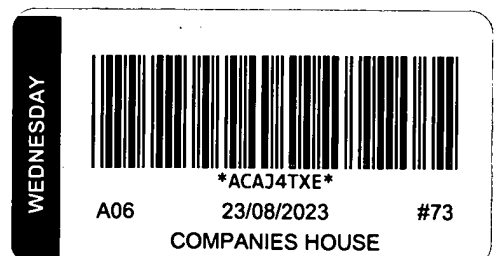


Mitie Treasury Management Limited

Annual report and financial statements

Registered number 07351242

31 March 2023



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Company information

Directors

P J G Dickinson
M R Peacock
J M Williams

Secretary

Mitie Company Secretarial Services Limited

Registered office

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

Auditor

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

Mitie Treasury Management Limited
Annual report and financial statements 2023

Strategic report

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

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

Review of the business

The principal activity of the Company is to raise external debt finance for Mitie Group plc and act as a holding company for the Group's subsidiaries. There have not been any significant changes in the Company's principal activities in the year under review.

As shown in the income statement on page 11, the Company had no revenue, and the loss for the year was £30,531,000 (2022: £6,954,000 profit), as a result of capital contributions related to a programme to liquidate certain legal entities in the Group.

In October 2021, the Group signed a new £150m revolving credit facility, of which the Company is a borrower, and terminated the previous £250m facility. The new facility expires in October 2026 following the exercise of an option to extend for a further year from October 2025, as approved by the lenders in September 2022. In November 2021, the Company agreed, under a delayed funding arrangement, the issue of £120.0m of new US private placement notes in December 2022, avoiding any overlap with the £121.5m of notes (comprising the US\$153.0m and £25.0m notes, and net of the £29.2m settlement of the cross currency interest rate swaps) that matured in the same month. The new notes are split equally between 8, 10 and 12 year maturities, and have an average coupon of 2.94%.

Key performance indicators

The Group manages its operations on a divisional basis. For this reason, the Directors do not believe further key performance indicators are necessary for an appropriate understanding of the performance and position of the Company. The performance of the Group's divisions is discussed in the Mitie Group plc annual report and accounts 2023, which does not form part of this report.

Principal risks and uncertainties

The Company is part of the Group and manages its risks in line with the Group's enterprise risk management framework. Details of this framework and information on the principal risks and uncertainties are given in the Mitie Group plc annual report and accounts 2023. The Directors have reviewed the Company's financial objectives alongside the risk profile for the Company and the significant risks and uncertainties have been detailed below.

Financial risks

Reliance on material counterparties

The Company depends on significant counterparties, including banks, insurers and private placement note providers, 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.

Funding

The Group's ability to maintain profitable business performance may be impacted by an inability of the Company to maintain access to and renew suitable sources of funding due to a perceived risk in the Group's business and/or the sector.

Controls and mitigation plans have been put in place by the Group to mitigate such risks, including:

- maintenance of strong banking, debt and equity relationships;
- regular forecasting of cash flow and net debt;
- thorough focus on working capital cycles with a clear set of KPIs;
- clear policy on provisions;
- strong focus on and monitoring of cash collection;
- regular reviews of payment terms with customers and supply chain; and
- focus on working capital processes to reduce cycle times and average net debt.

Strategic report (continued)

Financial risk management

Appropriate trade terms are negotiated with suppliers and customers. Management reviews these terms and the relationships with suppliers and customers and manages any exposure on normal trade terms. The Company's requirement for additional funding is managed as part of the Group's 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. It does not enter into any financial instrument arrangements for speculative purposes.

The Company held a number of cross currency interest rate swaps and forward contracts that were designated as cash flow hedges. These US Bi-annual fixed interest cash flows arising over the period to December 2022 and denominated in US\$ for the US Private placement notes were exchanged for fixed interest cash flows denominated in Sterling. The new USPP notes issued in December 2022 were all denominated in Sterling, therefore no new swaps were entered into when the previous swaps expired in December 2022.

Strategic report (continued)

Section 172 statement

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

Stakeholders

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

Stakeholder	Engagement activity	Important issues discussed
Banks and noteholders	<ul style="list-style-type: none"> - Regular and ad-hoc meetings and calls - Results presentations, roadshows and stock exchange announcements 	<ul style="list-style-type: none"> - Financial performance - Governance and transparency
Shareholder	<ul style="list-style-type: none"> - Regular senior leadership meetings 	<ul style="list-style-type: none"> - Financial performance - Expanding the Company's suite of margin enhancement initiatives, incorporating the outsourcing of diverse functions - Environmental, Social and Governance matters
Communities and the environment	<ul style="list-style-type: none"> - Mitie Foundation - Local community events - Employee volunteering 	<ul style="list-style-type: none"> - Social value - Reduction in carbon emissions

Consequences of any decision in the long term

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

During the second half of the year, the Directors actively participated in expanding the Company's suite of margin enhancement initiatives. This phase of the program specifically targeted the business's Target Operating Model, encompassing the outsourcing of Finance and IT functions. During the expansion of the suite of margin initiatives, the Directors diligently considered and managed various factors, including system testing and project resourcing to ensure the continuing delivery of services.

Impact of operations on the community and the environment

The Directors are supportive of the Group's initiatives to improve the impact of the operations of the Company on the community and the environment. One of the Company's directors is a member of the Group's Environment Social and Governance ("ESG") Committee. The committee provides oversight and governance for all of the Group's ESG initiatives, ensuring that they are aligned to the Group's purpose, promises and values. The committee was in place throughout the year.

Maintaining a high standard of business conduct

Ethical business practice

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

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

Good governance

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

Details of how the Group complies with the UK Corporate Governance Code can be found in the Mitie Group plc annual report and accounts 2023.

The need to act fairly as between members of the company

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

Strategic report (continued)


Subsequent events

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

Future developments

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

Approved by the Board and signed on its behalf by:

DocuSigned by:

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M R Peacock

Director

26 July 2023

Directors' report

The Directors present the annual report and audited financial statements of Mitie Treasury Management Limited for the year ended 31 March 2023.

In preparing this Directors' report, the Directors have complied with Section 414C(11) of the Companies Act 2006 by including certain disclosures required by Section 416(4) within the Strategic report.

Going concern

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

Directors

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

P J G Dickinson
M R Peacock
J M Williams

Directors' indemnity

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

Dividends

There were no dividends during the year (2022: £nil).

Employees

As the Company has no employees, the financial statements of the Company's subsidiaries have disclosed the actions that have been taken during the financial year to introduce, maintain or develop arrangements aimed at employee engagement, and disclosed how the directors have engaged with employees, how the directors have had regard to employee interests, and the effect of that regard.

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.

Disclosure of information to auditor

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


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

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

Auditor

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

Approved by the Board and signed on its behalf by:

DocuSigned by:

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M R Peacock
Director
26 July 2023

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

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

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

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

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

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

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

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Mitie Treasury Management Limited (the "Company") for the year ended 31 March 2023 which comprise the Income statement, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity, and the Notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

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

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

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.

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

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

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

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

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

Independent auditor's report to the members of Mitie 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.

DocuSigned by:

Nigel Harker

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Nigel Harker (Senior Statutory Auditor)

for and on behalf of BDO LLP, Statutory Auditor
Gatwick

26 July 2023

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

Mitie Treasury Management Limited
Annual report and financial statements 2023

Income statement

	<i>Note</i>	2023 £000	2022 £000
Administrative expenses		(936)	(763)
Other items	2	(30,082)	5,998
Operating (loss)/profit	2	(31,018)	5,235
Dividends from shares in Group undertakings		-	5,088
Finance income	6	49,223	43,505
Finance costs	7	(47,216)	(47,891)
Net finance income/(costs)		2,007	(4,386)
(Loss)/profit before tax		(29,011)	5,937
Tax	8	(1,520)	1,017
(Loss)/profit for the year		(30,531)	6,954

The notes on pages 15 to 42 form an integral part of the financial statements.

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

Mitie Treasury Management Limited
Annual report and financial statements 2023

Statement of comprehensive income

	<i>Note</i>	2023 £000	2022 £000
(Loss)/profit for the year		(30,531)	6,954
Items that will not be reclassified to profit or loss in subsequent years			
Remeasurement of net defined benefit pension schemes	<i>13</i>	(5,450)	23,480
Tax on items that will not be reclassified to profit or loss	<i>8,12</i>	2,703	(4,461)
Other tax on remeasurement of retirement benefit surplus	<i>13</i>	(383)	-
		(3,130)	19,019
Items that are or may be reclassified to profit or loss in subsequent years			
Net losses on cash flow hedges taken to equity ¹		(173)	(538)
Tax on items that are or may be reclassified to profit or loss	<i>12</i>	69	301
		(104)	(237)
Other comprehensive (expense)/income for the year		(3,234)	18,782
Total comprehensive (expense)/income for the year		(33,765)	25,736

Note:

1. Net losses on cash flow hedges taken to equity include fair value gains of £9,625,000 (2022: £5,134,000) on derivative financial instruments used for hedging private placement notes (see Note 14). These gains are reclassified to profit or loss and netted against foreign exchange losses on private placement notes of £9,870,000 (2022: £5,672,000).

The notes on pages 15 to 42 form an integral part of the financial statements.

Balance sheet

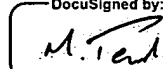
	Note	2023 £000	Restated ¹ 2022 £000
Non-current assets			
Investment in subsidiaries	9	923,191	917,558
Retirement benefit assets	13	711	-
Deferred tax assets	12	275	1,681
Total non-current assets		924,177	919,239
Current assets			
Trade and other receivables	10	981,877	941,956
Derivative financial instruments	14	-	19,597
Current tax receivable		2,281	6,709
Cash and cash equivalents		179,687	176,276
Total current assets		1,163,845	1,144,538
Current liabilities			
Trade and other payables	11	(1,078,271)	(1,132,419)
Total current liabilities		(1,078,271)	(1,132,419)
Net current assets		85,574	12,119
Non-current liabilities			
Trade and other payables	11	(156,579)	(37,160)
Retirement benefit liabilities	13	-	(7,261)
Total non-current liabilities		(156,579)	(44,421)
Net assets		853,172	886,937
Equity			
Share capital	15	554,034	554,034
Share premium	15	200,611	200,611
Merger reserve	15	127,900	127,900
Hedging and translation reserve	15	(323)	(219)
Retained (losses)/earnings	15	(29,050)	4,611
Total equity		853,172	886,937

Note:

1. Investment in subsidiaries and the merger reserve have been increased by £127,900,000 as at 31 March 2022. See Note 1c

The notes on pages 15 to 42 form an integral part of the 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 26 July 2023 and were signed on its behalf by:

DocuSigned by:

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M R Peacock
Director

Statement of changes in equity

	Share capital £000	Share premium £000	Merger reserve £000	Hedging and translation reserve £000	Retained (losses)/ earnings £000	Total equity £000
At 1 April 2021, as previously reported	554,034	200,611	-	18	(21,362)	733,301
Increase in investments and merger reserve ¹	-	-	127,900	-	-	127,900
At 1 April 2021, as restated ¹	554,034	200,611	127,900	18	(21,362)	861,201
Profit for the year	-	-	-	-	6,954	6,954
Other comprehensive (expense)/income	-	-	-	(237)	19,019	18,782
Total comprehensive (expense)/income	-	-	-	(237)	25,973	25,736
At 31 March 2022, as restated¹	554,034	200,611	127,900	(219)	4,611	886,937
Loss for the year	-	-	-	-	(30,531)	(30,531)
Other comprehensive expense	-	-	-	(104)	(3,130)	(3,234)
Total comprehensive expense	-	-	-	(104)	(33,661)	(33,765)
At 31 March 2023	554,034	200,611	127,900	(323)	(29,050)	853,172

Note:

1. Investment in subsidiaries and the merger reserve have been increased by £127,900,000. See Note 1c.

The notes on pages 15 to 42 form an integral part of the financial statements.

Notes to the financial statements

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 and domiciled in the United Kingdom. Details of the Company's activities are set out in the Strategic report. The Company's financial statements are presented in pounds sterling, which is the Company's functional and presentational currency. All amounts have been rounded to the nearest thousand pounds, unless otherwise indicated.

The Company is exempt, by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. The Company's ultimate parent undertaking, Mitie Group plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Mitie Group plc have been prepared in accordance with UK-adopted International Accounting Standards. They 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 FRS 101 *Reduced Disclosure Framework* ("FRS 101").

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

c) Basis of preparation

Going concern

The financial statements have been prepared on a going concern basis. The Company participates in the centralised treasury arrangements and shared banking arrangements of Mitie Group plc, its ultimate parent, and of its fellow subsidiaries (together the "Group"). The Directors have received a letter of support from the directors of Mitie Group plc to confirm the 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 2023 to ensure that the Company can meet its liabilities as they fall due.

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

The Group's principal debt financing arrangements as at 31 March 2023 were a £150.0m revolving credit facility, of which £8.4m was drawn as at 31 March 2023, and £150.0m of US private placement ("USPP") notes. These financing arrangements are subject to certain financial covenants which are tested every six months on a rolling 12-month basis.

Notes to the financial statements (continued)

1 Accounting policies, judgements and estimates (continued)

Of the USPP notes, £120.0m were issued in December 2022 under a delayed funding agreement to avoid any overlap with the £121.5m (being the repayment amount after taking account of the cross-currency swaps hedging the principal amount) of notes that matured in the same month. The new notes are split equally between 8, 10 and 12 year maturities, and were issued with an average coupon of 2.94% that is significantly below the coupon of the maturing notes. The remaining £30.0m of USPP notes are due to mature in December 2024, which the Base Case Forecasts assume will not be replaced.

The Group currently operates within the terms of its agreements with its lenders, with consolidated net cash (i.e. net cash adjusted for covenant purposes, including the exclusion of lease liabilities) of £83.5m at 31 March 2023. The Base Case Forecasts indicate that the Group will continue to operate within these terms and that the headroom provided by the Group's debt facilities currently in place is adequate to support the Group over the Going Concern Assessment Period.

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

The primary financial risks related to adverse changes in the economic environment and/or a deterioration in commercial or operational conditions are listed below. These risks have been considered in the context of any further UK budgetary changes, political uncertainty and the continued impact of the Russian invasion of Ukraine as well as an inflationary and potential recessionary economic environment:

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

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

- all stress test scenarios would require a very severe deterioration compared to the Base Case Forecasts. Revenue is considered to be the key risk, as this is less within the control of management. Revenue would need to decline by approximately 38% in the year ending 31 March 2024, compared to the Base Case Forecasts, which is considered to be very severe given the high proportion of the Group's revenue that is fixed in nature and the fact that even in a COVID-hit year, the Group's revenue excluding Interserve declined by only 1.6%; and
- in the event that the Group's results started to trend significantly below those included in the Base Case Forecasts, additional mitigation actions have been identified that would be implemented, which are not factored into the stress test scenarios. These include the short-term scaling down of capital expenditure, overhead efficiency/reduction measures including cancellation of discretionary bonuses and reduced discretionary spend, asset disposals and reductions in cash distributions and share buybacks.

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

Based on this assessment, and their enquiries of the directors of Mitie Group plc, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of no less than 12 months from the date of approval of the Company's financial statements for the year ended 31 March 2023. Accordingly, the financial statements have been prepared on a going concern basis.

Notes to the financial statements (continued)

1 Accounting policies, judgements and estimates (continued)

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 UK-adopted International Accounting Standards;
- the presentation of a third or opening balance sheet as at 1 April 2021;
- disclosures in respect of capital management;
- the effects of new but not yet effective UK-adopted International Accounting Standards;
- disclosures in respect of the compensation of Key Management Personnel; and
- disclosures in respect of related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

As the consolidated financial statements 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 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instruments: Disclosures*.

Accounting standards that are newly effective in the current year

The following amendments became effective during the year ended 31 March 2023.

Amendment to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The Company adopted the amendment to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract* on 1 April 2022. The amendment clarifies that costs to fulfil a contract comprises both incremental costs of fulfilling a contract (for example, direct labour and materials) and an allocation of other direct costs that relate to fulfilling contracts. Although this has resulted in a change in accounting policy for performing an onerous contracts assessment, the amendment has not had an impact on the financial statements.

Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

In May 2020 the IASB published amendments to IAS 16 *Property, Plant and Equipment* which requires amounts received from selling items produced while the company is preparing the asset for its intended use to be recognised in profit or loss, and not as an adjustment to the cost of the asset as was previously the case. This amendment has not had an impact on the financial statements.

Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Leases*, if incurred separately. This amendment has not had an impact on the financial statements.

Measurement convention

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

Other items

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

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

Separate presentation of these items is intended to enhance understanding of the financial performance of the Company in the period and the extent to which results are influenced by material unusual and/or non-recurring items. Further detail of Other items is set out in Note 2.

Notes to the financial statements (continued)**1 Accounting policies, judgements and estimates (continued)****Prior year restatement*****Investment in subsidiaries***

The Company holds investments in certain subsidiaries of the Group. A large proportion of these investments were acquired on 18 October 2017 as part of a Group reorganisation to rationalise and simplify the Group's corporate structure. This involved share-for-share exchanges and resulted in the recognition of share capital and share premium with an aggregate value of £660,006,000 together with an equivalent aggregate carrying value of investment in subsidiaries.

During the year ended 31 March 2023, following a review of the Company's investments in subsidiaries, the Directors concluded that the value of investments recognised following the Group reorganisation should have been £127,900,000 higher as at 31 March 2022 and 01 April 2021 to reflect the residual fair value of the investments acquired by the Company in October 2017 in accordance with the Company's accounting policy. This change has been accounted for retrospectively, and accordingly, the comparative information as at 31 March 2022 and as at 1 April 2021 has been restated. The impact of this change resulted in an increase in the cost of investment in subsidiaries with an equivalent amount recognised in a merger reserve, as shown in the summarised balance sheets below.

Balance sheet extract as at 31 March 2022	As previously reported £000	Restatement £000	As restated £000
Investment in subsidiaries	789,658	127,900	917,558
Other non-current assets	1,681	-	1,681
Total non-current assets	791,339	127,900	919,239
Total current assets	1,144,538	-	1,144,538
Total current liabilities	(1,132,419)	-	(1,132,419)
Total non-current liabilities	(44,421)	-	(44,421)
Net assets	759,037	127,900	886,937
Share capital	554,034	-	554,034
Share premium	200,611	-	200,611
Merger reserve	-	127,900	127,900
Hedging and translation reserve	(219)	-	(219)
Retained earnings	4,611	-	4,611
Total equity	759,037	127,900	886,937
Balance sheet extract as at 1 April 2021			
Investment in subsidiaries	794,823	127,900	922,723
Other non-current assets	22,927	-	22,927
Total non-current assets	817,750	127,900	945,650
Total current assets	932,621	-	932,621
Total current liabilities	(803,718)	-	(803,718)
Total non-current liabilities	(213,352)	-	(213,352)
Net assets	733,301	127,900	861,201
Share capital	554,034	-	554,034
Share premium	200,611	-	200,611
Merger reserve	-	127,900	127,900
Hedging and translation reserve	18	-	18
Retained losses	(21,362)	-	(21,362)
Total equity	733,301	127,900	861,201

Notes to the financial statements (continued)

1 Accounting policies, judgements and estimates (continued)

d) Significant accounting policies

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

Finance income

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

Taxation

Tax in the income statement represents the sum of current tax and deferred tax.

Current tax is based on taxable profit or loss for the year. Taxable profit or loss differs from the accounting profit or loss as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, 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.

Investments in subsidiaries

Investments in subsidiaries are shown at cost less any provision for impairment. Investments acquired through a share-for-share exchange as part of a Group reconstruction are initially recognised at fair value. 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.

Notes to the financial statements (continued)

1 Accounting policies, judgements and estimates (continued)

Financial instruments

Classification and measurement

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

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

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

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

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses ("ECLs") on all receivable balances from customers subsequently measured at amortised cost, using the simplified approach. Under this approach, the Company recognises a loss allowance based on lifetime ECLs at each reporting date. ECLs are calculated on the basis of historic credit loss experience, adjusted for forward-looking factors that incorporate macroeconomic conditions, for example changes in interest rates and inflation, and is applied to customers with common risk characteristics such as sector type.

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 presents derivative financial instruments as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Derivatives, which are set to mature or are expected to be realised or settled within 12 months, are presented as current assets or current liabilities.

The 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 to the financial statements (continued)

1 Accounting policies, judgements and estimates (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 hedging and translation 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 income statement.

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. Exchange differences arising on the settlement of monetary items; and on the retranslation of monetary items, are included in the income statement for the year.

Non-monetary items are measured in terms of historical cost in a foreign currency are not retranslated.

Retirement benefit costs

The Company operates a number of defined contribution retirement benefit schemes for all qualifying employees. Payments to the defined contribution and stakeholder pension schemes are charged as an expense as the related service is provided.

In addition, the Company participates in defined benefit schemes. 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 by qualified actuaries. Actuarial gains and losses on obligations, the return on scheme assets (excluding interest) and the effect of the asset ceiling (if applicable, excluding interest) are recognised in the statement of comprehensive income in the period in which they occur.

Defined benefit pension costs (including curtailments) are recognised in the income statement, in administrative expenses, whilst the net interest cost is recognised in 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.

The Company's net obligation in respect of defined benefit schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount using market yield on a high-quality corporate bond and deducting the fair value of any scheme assets. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan, where the Company has the unconditional right to the surplus, or reductions in future contributions to the plan. Any asset recognised is net of tax as the associated tax is not considered to be an income tax.

Notes to the financial statements (continued)

1 Accounting policies, judgements and estimates (continued)

Dividends

Dividends are recognised in the financial statements in the year in which the shareholder's right to receive payment of the dividend becomes unconditional.

e) Critical accounting judgements and key sources of estimation uncertainty

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

Critical judgements in applying the Company's accounting policies

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

Other items

'Other items' are items of financial performance which management believes should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Company. Determining whether an item should be classified within Other items requires judgement as to whether an item is or is not part of the underlying performance of the Company. An analysis of the amounts included in Other items is detailed in Note 2.

Key sources of estimation uncertainty

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

Investments

The Company has investments in subsidiaries of £923,191,000 (2022: £917,558,000, as restated) at the balance sheet date (see Note 9). Determining whether an investment is impaired requires an estimation of its recoverable amount. The recoverable amount involves an estimation of the future cash flows and the selection of appropriate discount rates to use in order to calculate the present values.

Measurement of defined benefit pension obligations

The net pension asset as at 31 March 2023 was £711,000 (2022: £7,261,000 liability). 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 13 for further details and a sensitivity analysis for the key assumptions.

Notes to the financial statements (continued)**2 Operating (loss)/profit**

Operating (loss)/profit is stated after charging/(crediting):

	2023	2022
	£000	£000
Loss/(gain) on disposal of subsidiaries	34	(5,998)
Capital contributions	30,048	-
Other items	30,082	(5,998)

During the year the Company recognised a loss of £34,000 (2022: £5,998,000 gain) from the disposal of subsidiaries, and £30,048,000 (2022: £nil) due to capital contributions as part of a programme to liquidate certain legal entities of the Group.

3 Auditor's remuneration

The auditor's remuneration was borne by Mitie Group plc (2022: Mitie Group plc) and no allocation or recharge (2022: £nil) was made to the Company.

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

4 Staff numbers and costs

The Company had no employees during the year (2022: nil).

5 Directors' remuneration

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

Director	Remunerated by	Disclosed by
P J G Dickinson	Mitie Limited	Mitie Limited
M R Peacock	Mitie Limited	Mitie Limited
J M Williams	Mitie Limited	Mitie FM Limited

6 Finance income

	2023	2022
	£000	£000
Bank interest	2,147	300
Interest receivable from Group undertakings	47,076	43,205
	49,223	43,505

Notes to the financial statements (continued)**7 Finance costs**

	2023	2022
	£000	£000
Interest on bank loans and overdrafts	2,141	6,649
Interest on working capital facility	2	6
Interest on private placement loan notes	5,903	6,212
Interest payable to Group undertakings	39,142	34,276
Net interest on defined benefit pension schemes (Note 13)	28	748
	<u>47,216</u>	<u>47,891</u>

Notes to the financial statements (continued)**8 Tax**

	2023	2022
	£000	£000
<i>Analysis of (credit)/charge in the year</i>		
<i>UK corporation tax at 19% (2022: 19%)</i>		
Current tax on (loss)/profit for the year	(1,245)	(3,511)
Adjustments in respect of prior periods	(377)	48
Total current tax credit	(1,622)	(3,463)
<i>Deferred tax (see Note 12)</i>		
Origination and reversal of temporary timing differences	1,452	2,380
Change in statutory tax rate	1,690	(21)
Adjustments in respect of prior periods	-	87
Total deferred tax charge	3,142	2,446
Total charge/(credit) for the year	1,520	(1,017)
<i>Tax recognised directly in other comprehensive income</i>		
Current tax	(1,036)	-
Deferred tax	(1,736)	4,160
	(2,772)	4,160
<i>Tax reconciliation</i>		
(Loss)/profit before tax	(29,011)	5,937
Tax using the UK corporation tax rate of 19% (2022: 19%)	(5,512)	1,128
Items not deductible/(taxable) for tax purposes	5,713	(152)
Non-taxable income from shares in Group undertakings	-	(967)
Loss/(profit) on disposal of investments	6	(1,140)
Change in statutory tax rate	1,690	(21)
Adjustments in respect of prior periods	(377)	135
Total tax charge/(credit)	1,520	(1,017)

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

Notes to the financial statements (continued)**9 Investment in subsidiaries**

	£000
Cost	
At 1 April 2021, as restated ¹	1,020,770
Disposals	(5,360)
	<hr/>
At 31 March 2022, as restated ¹	1,015,410
Additions	5,961
Disposals	(34)
Liquidation of subsidiary	(141)
	<hr/>
At 31 March 2023	1,021,196
	<hr/> <hr/>
Impairment	
At 1 April 2021, as restated ¹	98,047
Disposals	(195)
	<hr/>
At 31 March 2022, as restated ¹	97,852
Impairment	153
	<hr/>
At 31 March 2023	98,005
	<hr/> <hr/>
Net book value	
At 31 March 2022	917,558
	<hr/> <hr/>
At 31 March 2023	923,191
	<hr/> <hr/>

Note:

1. Investment in subsidiaries and the merger reserve have been increased by £127,900,000. See Note 1c.

During the year ended 31 March 2023, the Company increased its investment in Mitie Suomi Oy and Mitie Investments Limited. As part of the liquidation of Mitie Investments Limited, the investments that it held in Mitie Waste & Environmental Services Limited, Mitie Facilities Management Limited and Source Eight Limited were transferred to the Company, resulting in a £141,000 decrease to the cost of investment.

The Company received a dividend from, and impaired its investment in, Coles Motors Limited. This resulted in a net nil impact in the income statement. Coles Motors Limited was subsequently placed in liquidation.

Notes to the financial statements (continued)**9 Investment in subsidiaries (continued)**

Details of all investments in subsidiary undertakings have been provided below. Investments held directly by the Company have been indicated.

Company	Country of incorporation	Class of shares held	Proportion of nominal value of class
8Point8 Support Limited	United Kingdom	Ordinary (all classes)	100%
8Point8 Training Limited	United Kingdom	Ordinary	100%
Bateman's Cleaning Services Limited	United Kingdom	Ordinary	100%
Bespoke Power Solutions Global Ltd ²	United Kingdom	Ordinary	100%
Biotechture Limited	United Kingdom	Ordinary	100%
Broadreach Group Limited ²	United Kingdom	Ordinary	100%
Building & Property Trustees Ltd	United Kingdom	Ordinary	100%
Care & Custody (Health) Limited	United Kingdom	Ordinary	100%
Central Window Cleaning Company Limited ²	United Kingdom	Ordinary	100%
Cole Motors Limited ^{1,2}	United Kingdom	Ordinary	100%
CTI Power Limited	United Kingdom	Ordinary	100%
Custom Solar Ltd	United Kingdom	Ordinary	100%
Esoteric Limited	United Kingdom	Ordinary	100%
First Security Group Limited ²	United Kingdom	Ordinary (all classes)	100%
Global Aware International Group Limited ²	United Kingdom	Ordinary	100%
Global Aware International Ltd	United Kingdom	Ordinary	100%
Green Planet Design Ltd ²	United Kingdom	Ordinary	100%
Industrial Services International Limited ²	United Kingdom	Ordinary	100%
Insitu Cleaning Company Limited	United Kingdom	Ordinary	100%
Interserve Saudi Arabia LLC ²	Kingdom of Saudi Arabia	Ordinary	100%
Jabez Holdings Limited ¹	United Kingdom	Ordinary	100%
Knightsbridge Guarding Holdings Limited ²	United Kingdom	Ordinary (all classes)	100%
Knightsbridge Guarding Limited ²	United Kingdom	Ordinary	100%
Lancaster Office Cleaning Company Limited ²	United Kingdom	Ordinary	100%
Maclellan Group Limited ²	United Kingdom	Ordinary	100%
MacLellan Integrated Services Limited ²	United Kingdom	Ordinary	100%
MacLellan International Airport Services Limited ²	United Kingdom	Ordinary	100%
MacLellan International Limited	United Kingdom	Ordinary	100%
MacLellan Limited	United Kingdom	Ordinary	100%
MacLellan Management Services Limited	United Kingdom	Ordinary	100%
Mitie (Defence) Limited	United Kingdom	Ordinary	100%
Mitie (Facilities Services) Limited	United Kingdom	Ordinary	100%
Mitie (Facilities Services-Slough) Limited	United Kingdom	Ordinary, deferred	100%
Mitie Aviation Security Limited	United Kingdom	Ordinary	99.9%
Mitie Building Services (UK) Limited ²	United Kingdom	Ordinary	100%
Mitie Built Environment Limited	United Kingdom	Ordinary, preferred	100%
Mitie Care and Custody Limited	United Kingdom	A Ordinary	100%
Mitie Catering Services Limited	United Kingdom	Ordinary (all classes)	100%
Mitie Centro Especial de Empleo S.L.	Spain	Ordinary	100%
Mitie Cleaning & Environmental Services Limited	United Kingdom	Ordinary	100%

Notes to the financial statements (continued)**9 Investment in subsidiaries (continued)**

Company	Country of incorporation	Class of shares held	Proportion of nominal value of class
Mitie Cleaning Services Limited	United Kingdom	Ordinary (all classes)	100%
Mitie Client Services Limited ²	United Kingdom	Ordinary (all classes)	100%
Mitie Company Secretarial Services Limited ¹	United Kingdom	Ordinary	100%
Mitie Deutschland GmbH ¹	Germany	Ordinary	100%
Mitie Dormant (No.1) Limited ²	United Kingdom	Ordinary (all classes)	100%
Mitie Dormant (No.2) Limited ^{1,2}	United Kingdom	Ordinary (all classes)	100%
Mitie Engineering Services (Bristol) Limited ²	United Kingdom	Ordinary	100%
Mitie Engineering Services (Guernsey) Limited	Guernsey	Ordinary	100%
Mitie Engineering Services (Jersey) Limited	Jersey	Ordinary	100%
Mitie Engineering Services (Northern Region) Limited ²	United Kingdom	Ordinary (all classes)	100%
Mitie Engineering Services (Wales) Limited ²	United Kingdom	Ordinary	100%
Mitie Environmental Services Limited	United Kingdom	Ordinary	100%
Mitie Facilities Management Limited ¹	Ireland	Ordinary-A, ordinary-B1, ordinary-B20 to -B32	100%
		Ordinary-B2 to -B19	50%
Mitie Facilities Services S.A.	Spain	Ordinary	100%
Mitie Fire Services Limited ²	United Kingdom	Ordinary	100%
Mitie FM Limited	United Kingdom	Ordinary	100%
Mitie France SAS ¹	France	Ordinary	100%
Mitie FS (UK) Limited	United Kingdom	Ordinary	100%
Mitie Group Pension Scheme Trustee Company Limited ¹	United Kingdom	Ordinary	100%
Mitie Holdings Limited ¹	United Kingdom	Ordinary	100%
Mitie Hospital Services Limited ²	United Kingdom	Ordinary	100%
Mitie Infrastructure Limited	United Kingdom	A Ordinary	100%
		B Ordinary	95%
Mitie Integra Baleares S.L.	Spain	Ordinary	100%
Mitie Integra Canarias S.L.	Spain	Ordinary	100%
Mitie Integra S.L.	Spain	Ordinary	100%
Mitie Integrated Services Limited	United Kingdom	Ordinary	100%
Mitie International Limited ^{1,2}	United Kingdom	Ordinary	100%
Mitie Investments Limited ^{1,2}	United Kingdom	Ordinary	100%
Mitie Landscapes Limited	United Kingdom	Ordinary (all classes)	100%
Mitie Limited	United Kingdom	Ordinary	100%
Mitie Managed Services Limited	United Kingdom	Ordinary, deferred	100%
Mitie Nederland B.V. ¹	Netherlands	Ordinary	100%
Mitie NI Limited	United Kingdom	Ordinary	100%
Mitie PFI Limited	United Kingdom	Ordinary (all classes)	100%
Mitie Project Services Limited ²	United Kingdom	Ordinary	100%

Notes to the financial statements (continued)**9 Investment in subsidiaries (continued)**

Company	Country of incorporation	Class of shares held	Proportion of nominal value of class
Mitie Schweiz GmbH ¹	Switzerland	Ordinary	100%
Mitie Scotgate Limited ²	United Kingdom	Ordinary	100%
Mitie Security (Fire & Electronics) Limited ²	United Kingdom	Ordinary	100%
Mitie Security (First) Limited	United Kingdom	Ordinary, deferred (all classes)	100%
Mitie Security (Knightsbridge) Limited	United Kingdom	Ordinary	100%
Mitie Security Holdings Limited ²	United Kingdom	Ordinary (all classes)	100%
Mitie Security Limited	United Kingdom	Ordinary	100%
Mitie Security Services Limited	United Kingdom	Ordinary	100%
Mitie Services (Retail) Limited ²	United Kingdom	Ordinary (all classes)	100%
Mitie Shared Services Limited ¹	United Kingdom	Ordinary	100%
Mitie Specialist Services (Holdings) Limited	United Kingdom	Ordinary	100%
Mitie Suomi Oy ¹	Finland	Ordinary	100%
Mitie T S 2 Limited ²	United Kingdom	Ordinary-B	100%
Mitie Technical Facilities Management Holdings Limited ¹	United Kingdom	Ordinary	100%
Mitie Technical Facilities Management Limited	United Kingdom	Ordinary (all classes)	100%
Mitie Technical Services Limited	United Kingdom	Ordinary	100%
Mitie Telecoms Assets Limited	United Kingdom	Ordinary	100%
Mitie Telecoms Limited	United Kingdom	Ordinary	100%
Mitie Telecoms Towers Limited	United Kingdom	Ordinary	100%
Mitie Telecoms Ventures Limited	United Kingdom	Ordinary	100%
Mitie Transport Services Limited ²	United Kingdom	Ordinary (all classes)	100%
Mitie Trustee Limited ¹	United Kingdom	Ordinary	100%
Mitie Waste & Environmental Services Limited ¹	United Kingdom	Ordinary-A Ordinary-B	100% 1%
Mitiefm (Holdings) Limited ¹	United Kingdom	Ordinary	100%
Mitiefm Services Limited	United Kingdom	Redeemable ordinary, deferred, ordinary	100%
P2ML Ltd	United Kingdom	Ordinary	100%
Parkersell Limited ²	United Kingdom	Ordinary	100%
Phoenix Fire Services Limited ²	United Kingdom	Ordinary	100%
Phonotas Services Limited ²	United Kingdom	Ordinary	100%
Procius Limited	United Kingdom	Ordinary (all classes)	100%
R & D Holdings Limited ²	United Kingdom	Ordinary	100%
Ramoneur Cleaning and Support Services Limited ²	United Kingdom	Ordinary	100%
Retail Cleaning Services Limited ²	United Kingdom	A, B	100%
Robert Prettie & Co Limited	United Kingdom	Ordinary	100%
Rock Power Connections Ltd	United Kingdom	Ordinary (all classes)	100%
Source Eight Limited ¹	United Kingdom	Ordinary Ordinary-A, ordinary-B	100% 51%
Source8 Africa Limited	United Kingdom	Ordinary (all classes)	100%
Source8 Delivery (Nigeria) Limited	Nigeria	Ordinary	100%
SSD UK Limited	United Kingdom	Ordinary	100%
Tass (Europe) Limited ²	United Kingdom	Ordinary	100%

Notes to the financial statements (continued)**9 Investment in subsidiaries (continued)**

Company	Country of incorporation	Class of shares held	Proportion of nominal value of class
Translimp Contract Services S.A.	Spain	Ordinary	100%
UK CRBS Limited	United Kingdom	Ordinary (all classes)	100%
Unique Cleaning Services Limited ²	United Kingdom	Ordinary	100%
Utilyx Asset Management Limited ²	United Kingdom	Ordinary	100%
Utilyx Asset Management Projects Limited ²	United Kingdom	Ordinary	100%
Utilyx Broking Limited ²	United Kingdom	Ordinary	100%
Utilyx Healthcare Energy Services Limited ¹	United Kingdom	Ordinary	100%
Utilyx Holdings Limited ²	United Kingdom	Ordinary	100%
Utilyx Limited	United Kingdom	Ordinary	100%
Utilyx Risk Management Limited	United Kingdom	Ordinary	100%
Vantage Solutions Limited	United Kingdom	Ordinary	100%
Vision Security Group Limited ¹	United Kingdom	Ordinary	100%
Vision Security Group Systems Limited ²	United Kingdom	Ordinary	100%
Waveambda Limited	United Kingdom	Ordinary	100%
Wealthy Thoughts Limited	United Kingdom	Ordinary	100%

Notes:

1. Held directly by the Company.

2. These subsidiaries were in liquidation as at 31 March 2023.

Notes to the financial statements (continued)**9 Investment in subsidiaries (continued)**

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

Company	Registered office address
Central Window Cleaning Company Limited ¹	30 Finsbury Square, London, England, EC2A 1AG, United Kingdom
Industrial Services International Limited ¹	30 Finsbury Square, London, England, EC2A 1AG, United Kingdom
Interserve Saudi Arabia LLC ¹	PO Box 26982, Riyadh, 11595, Kingdom of Saudi Arabia
Mitie Building Services (UK) Limited ¹	30 Finsbury Square, London, England, EC2A 1AG, United Kingdom
Mitie Centro Especial De Empleo S.L.	Calle San Miguel 25, Bajo 1, Azuqueca de Henares, 19200, Guadalajara, Spain
Mitie Deutschland GmbH	c/o Pinsent Masons Germany LLP, OTTOSTR. 21, 80333, Munich, Germany
Mitie Engineering Services (Guernsey) Limited	c/o MPR Private Clients Limited, PO Box 119, Martello Court, Admiral Park, St Peter Port, GY1 3HB, Guernsey
Mitie Engineering Services (Jersey) Limited	IFC 5, St Helier, JE1 1ST, Jersey
Mitie Facilities Management Limited	108 Q House, Furze Road, Sandyford, Dublin 18, Ireland
Mitie Facilities Services S.A.	Calle Juan Ignacio Luca de Tena, 8, 28027, Madrid, Spain
Mitie Fire Services Limited ¹	30 Finsbury Square, London, England, EC2A 1AG, United Kingdom
Mitie France SAS	259 Rue St Honore, 75001, Paris, France
Mitie Hospital Services Limited ¹	30 Finsbury Square, London, England, EC2A 1AG, United Kingdom
Mitie Integra Baleares S.L.	c/o Cala Blanca, Número 15, Polígono Son Fuster, 07009, Palma, Spain
Mitie Integra Canarias S.L.	c/o Luciano Ramos Diaz, 1, Local 2 Despacho 4 - S Cristobal Laguna, 38202, San Cristobal de la Laguna, Tenerife, Spain
Mitie Integra S.L.	Carretera Santa Creu do Calafell 81, Gave, 08850, Barcelona, Spain
Mitie Nederland B.V.	Javastraat 12, Rotterdam, Netherlands
Mitie NI Limited	Mitec Operations Centre, Unit 9B, First Floor, Silverwood Business Park, Silverwood Rd, Lurgan, Craigavon, Northern Ireland, BT66 6SY, United Kingdom
Mitie Schweiz GmbH	Brandschenkestrasse 90, CH-8027, Zurich, Switzerland
Mitie Scotgate Limited ¹	30 Finsbury Square, London, England, EC2A 1AG, United Kingdom
Mitie Suomi Oy	c/o Ov Visma Services Infocon Ab, Pormestarinrinne 8, 00160 Helsinki, Finland
P2ML Ltd	35 Duchess Road, Rutherglen, Glasgow, Scotland, G73 1AU, United Kingdom
Phonotas Services Limited ¹	30 Finsbury Square, London, England, EC2A 1AG, United Kingdom
Ramoneur Cleaning and Support Services Limited ¹	30 Finsbury Square, London, England, EC2A 1AG, United Kingdom
Retail Cleaning Services Limited ¹	30 Finsbury Square, London, England, EC2A 1AG, United Kingdom
Source8 Delivery (Nigeria) Limited	235 Ikorodu Road, Ilupeju, Lagos, Nigeria
Tass (Europe) Limited ¹	30 Finsbury Square, London, England, EC2A 1AG, United Kingdom
Translimp Contract Services S.A.	Calle Juan Ignacio Luca de Tena, 8, 28027, Madrid, Spain

Note:

1. These subsidiaries were in liquidation as at 31 March 2023.

Notes to the financial statements (continued)**10 Trade and other receivables**

	2023	2022
	£000	£000
Amounts owed by Group undertakings	981,402	940,897
Interest receivable	27	52
Prepayments	366	409
Other receivables	82	598
	<u>981,877</u>	<u>941,956</u>

Management considers that the carrying amount of trade and other receivables approximates their fair value. Trade and other receivables are interest-free except as noted below.

Amounts owed by Group undertakings are repayable on demand. Included within these amounts are £956,987,000 (2022: £918,815,000) relating to interest-bearing loans at 3% to 5% per annum (2022: 3% to 5% per annum) and £9,569,000 (2022: £16,198,000) relating to interest-free loans.

11 Trade and other payables

	2023	2022
	£000	£000
Bank loans	7,146	7,160
Private placement notes (Note 14)	149,432	171,018
Trade payables	43	209
Amounts owed to Group undertakings	1,075,990	987,785
Interest payable	1,622	2,815
Accruals	617	592
	<u>1,234,850</u>	<u>1,169,579</u>
Current	1,078,271	1,132,419
Non-current	156,579	37,160

Trade and other payables are interest-free except as noted below.

Amounts owed to Group undertakings are repayable on demand. Included within these amounts are £1,017,534,000 (2022: £858,309,000) relating to interest-bearing loans at 5% per annum (2022: 5% per annum) and £45,349,000 (2022: £44,617,000) relating to interest-free loans.

Notes to the financial statements (continued)**12 Deferred tax assets/(liabilities)**

	Retirement benefit liabilities £000	Short-term timing differences £000	Total £000
At 1 April 2021	8,287	-	8,287
Recognised in income statement	(2,446)	-	(2,446)
Recognised in other comprehensive income	(4,461)	301	(4,160)
At 31 March 2022	1,380	301	1,681
Recognised in income statement	(3,142)	-	(3,142)
Recognised in other comprehensive income	1,667	69	1,736
At 31 March 2023	(95)	370	275

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

Notes to the financial statements (continued)

13 Retirement benefit schemes

Defined benefit schemes

The Company operates the Mitie Group plc Pension Scheme (the "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.

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 Company's net financial obligations to the scheme rise.

The nature of the relationship between the Company and the Trustee is also governed by regulations and practice. The Trustee must agree a funding plan with the sponsoring company such that any funding shortfall is expected to be met by additional contributions and investment outperformance. In order to assess the level of contributions required, triennial valuations are carried out with the scheme's obligations measured using prudent assumptions (which are determined by the Trustee with advice from the scheme actuary).

The Trustee's other duties include managing the investment of the scheme's assets, administration of plan benefits and exercising of discretionary powers. The Company works closely with the Trustee to manage the scheme.

The latest funding valuation as at 31 March 2020 indicated an actuarial deficit of £92,100,000. As a result, the Company has agreed a deficit recovery plan with the trustees totalling £92,800,000 over seven years, which should eliminate the deficit if the funding assumptions materialise in practice. In this regard, £35,400,000 has been paid to 31 March 2023, which includes £13,900,000 paid during the year ended 31 March 2023.

The Company made contributions to the Group scheme of £14,896,000 in the year (2022: £11,965,000). The Company expects to make contributions of around a similar value for the year ending 31 March 2024. The duration, or average term to payment for the benefits due, weighted by liability, is around 17 years for the Group scheme (2022: 20 years).

Notes to the financial statements (continued)

13 Retirement benefit schemes (continued)

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 Company 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 Company, and from an accounting perspective, i.e. the extent to which such risks affect the amounts recorded in the Company's financial statements.

Risk management

This risk of the scheme are as follows.

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 (24%) in equities and other return-seeking assets (principally diversified growth funds ("DGFs"), property and commodities). 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 Company's balance sheet.

Equities and DGFs are considered to offer the best returns over the long term with an acceptable level of risk and hence the scheme holds a significant proportion of these types of asset. However, the scheme's assets are well-diversified by investing in a range of asset classes, including property, commodities, government bonds and corporate bonds. The Group scheme holds 6% of its assets in DGFs which seek to maintain high levels of return whilst achieving lower volatility than direct equity funds. The allocation to return seeking assets is monitored to ensure it remains appropriate given the scheme's long-term objectives. The investment in bonds is discussed further below.

Changes in bond yields

Falling bond yields tend to increase the funding and accounting obligations. However, the investment in corporate and government bonds offers a degree of matching, i.e. the movement in assets arising from changes in bond yields partially matches the movement in the funding or accounting obligations. In this way, the exposure to movements in bond yields is reduced.

Inflation risk

The majority of the Group scheme's benefit obligations are linked to inflation. Higher inflation will lead to higher liabilities (although caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the Group scheme's assets are either unaffected by inflation (fixed interest bonds) or loosely correlated with inflation (equities), meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the Group scheme's obligations are to provide a pension for the life of the member, so increases in life expectancy will result in an increase in the obligations.

Notes to the financial statements (continued)**13 Retirement benefit schemes (continued)****Areas of risk management**

Although investment decisions in the Group scheme are the responsibility of the Trustee, the Company takes an active interest to ensure that pension plan risks are managed efficiently. The Company and Trustee have agreed a long-term strategy for reducing investment risk where appropriate.

Certain benefits payable on death before retirement are insured.

Principal accounting assumptions at the balance sheet date

<i>Key assumptions used for IAS 19 valuation</i>	2023	2022
	%	%
Discount rate	4.75	2.75
CPI price inflation	2.50	2.85
RPI price inflation	3.25	3.60
General salary increases	3.25	3.60
Pension increase assumptions	3.25	3.60
 <i>Post-retirement life expectancy</i>	 2023	 2022
	Years	Years
Male currently aged 65	87.5	87.6
Female currently aged 65	88.9	89.0
Male aged 65 in 20 years time	88.5	88.7
Female aged 65 in 20 years time	90.1	90.2

Sensitivity of defined benefit obligations to key assumptions

The sensitivity of defined benefit obligations to changes in principal actuarial assumptions is shown below.

<i>Change in assumption</i>	2023	2022
	Increase/ (decrease)	Increase/ (decrease)
	£000	£000
0.1% increase in discount rate	(2,700)	(4,300)
0.1% increase in RPI inflation*	1,800	3,200
0.1% increase in CPI inflation (excluding pay)	1,000	1,400
1 year increase in life expectancy	5,200	9,300

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

Notes to the financial statements (continued)**13 Retirement benefit schemes (continued)****Amounts recognised in the financial statements*****Income statement before tax***

	2023	2022
	£000	£000
Current service cost	(193)	(220)
Interest cost	(28)	(748)
Administrative expense	(870)	(304)
	<u>(1,091)</u>	<u>(1,272)</u>

Statement of comprehensive income before tax

	2023	2022
	£000	£000
Actuarial gains arising from change in financial assumptions	79,540	20,082
Actuarial losses arising from liability experience	(12,355)	(1,756)
Actuarial gains/(losses) due to changes in demographic assumptions	1,219	(1,296)
(Losses)/return on scheme assets, excluding interest income	(73,854)	6,450
	<u>(5,450)</u>	<u>23,480</u>

Balance sheet

	2023	2022
	£000	£000
Fair value of scheme assets	170,327	231,044
Present value of defined benefit obligations	(169,616)	(238,305)
	<u>711</u>	<u>(7,261)</u>

Notes to the financial statements (continued)**13 Retirement benefit schemes (continued)*****Movements in the present value of defined benefit obligations***

	£000	£000
At 1 April 2022/2021	238,305	256,707
Current service cost	193	220
Interest cost	6,466	5,322
Contributions from scheme members	20	20
Actuarial gains arising due to changes in financial assumptions	(79,540)	(20,082)
Actuarial (gains)/losses arising due to changes in demographic assumptions	(1,219)	1,296
Actuarial losses arising from liability experience	12,355	1,756
Benefits paid	(6,964)	(6,934)
	<u>169,616</u>	<u>238,305</u>
At 31 March 2023/2022	<u>169,616</u>	<u>238,305</u>

Movements in the fair value of scheme assets

	£000	£000
At 1 April 2022/2021	231,044	215,273
Administrative expense	(870)	(304)
Interest income	6,438	4,574
Actuarial (losses)/gains on assets	(73,854)	6,450
Other tax on remeasurement of retirement benefit surplus	(383)	-
Contributions from sponsoring companies	14,896	11,965
Contributions from scheme members	20	20
Benefits paid	(6,964)	(6,934)
	<u>170,327</u>	<u>231,044</u>
At 31 March 2023/2022	<u>170,327</u>	<u>231,044</u>

Fair values of assets

	£000	£000
Equities instruments	28,184	64,274
Government bonds	63,484	82,233
Corporate bonds	50,284	18,226
Property	3,444	9,394
Commodities	-	3,817
Diversified growth fund	9,746	22,976
Cash	15,185	30,124
	<u>170,327</u>	<u>231,044</u>
	<u>170,327</u>	<u>231,044</u>

Notes to the financial statements (continued)

14 Financial instruments

Classification

The Company's principal financial assets are cash and cash equivalents, other receivables, interest receivable and amounts owed by Group undertakings. The Company's principal financial liabilities are trade payables, bank loans, private placement notes, interest payable, accruals and amounts owed to Group undertakings.

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.

The vast majority of financial instruments are held at amortised cost. 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.

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

The Company issued US\$153.0m and £55.0m of private placement notes on 13 December 2012, of which US\$153.0m and £25.0m matured in December 2022 and £30.0m is due to mature in December 2024. The Company has further issued £120.0m of new US private placement notes on 16 December 2022. The USPP notes are unsecured and rank pari passu with other senior unsecured indebtedness of the Group. The amount, maturity and interest terms of these USPP notes as at 31 March 2023 are shown below.

Tranche	Maturity date	Amount	Interest terms
12 year	16 December 2024	£30.0m	£ fixed at 4.04%
8 year	16 December 2030	£40.0m	£ fixed at 2.84%
10 year	16 December 2032	£40.0m	£ fixed at 2.97%
12 year	16 December 2034	£40.0m	£ fixed at 3.00%

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

	2023	2022
	%	%
Bank loans	2.9	2.4
Private placement notes	3.9	4.0

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 to the financial statements (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, as appropriate, enter into derivative financial instruments in order to manage interest rate risk.

Interest rate sensitivity

The interest rate sensitivity has been determined based on the exposure to interest rates 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 and all other variables were held constant, the Company's loss after tax for the year ended 31 March 2023 would increase and equity would decrease by £437,749 (2022: £124,120).

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 fully hedged the US dollar exposure on its private placement notes over the periods to December 2022 into pounds sterling using cross-currency interest rate swaps (see Hedging activities below).

Included in bank loans were £8,351,000 (2022: £8,477,000) 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 undiscounted interest and principal cash flows) of the Company's financing liabilities.

Financial liabilities ¹	Within one year £000	Between one and five years £000	After five years £000	Total £000
2023				
Trade payables	43	-	-	43
Private placement notes	4,736	45,005	136,867	186,608
Bank loans	9,405	2,644	-	12,049
Amounts owed to Group undertakings	1,075,990	-	-	1,075,990
Accruals	617	-	-	617
Interest payable	1,622	-	-	1,622
	<u>1,092,413</u>	<u>47,649</u>	<u>136,867</u>	<u>1,276,929</u>
2022				
Trade payables	209	-	-	209
Private placement notes	146,211	32,121	-	178,332
Bank loans	9,553	2,681	-	12,234
Amounts owed to Group undertakings	987,785	-	-	987,785
Accruals	592	-	-	592
Interest payable	2,815	-	-	2,815
	<u>1,147,165</u>	<u>34,802</u>	<u>-</u>	<u>1,181,967</u>

Note:

1. Financial liabilities maturity profile at 31 March 2022 is exclusive of the £19,597,000 derivative asset which would naturally offset the settlement value of maturing private placement notes in financial liabilities. The derivative asset matured in December 2022 (see hedging activities below).

Notes to the financial statements (continued)**14 Financial instruments (continued)****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.

Capital management risk

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

Hedging activities**Derivative financial instruments - cash flow hedges**

The Company held a number of cross-currency interest rate swaps designated as cash flow hedges on US\$153.0m of private placement notes. Biannual fixed interest cash flows denominated in US dollars arising over the periods to December 2022 from the US private placement market are exchanged for fixed interest cash flows denominated in pounds sterling.

A fair value gain of £9,625,000 (2022: £5,134,000 gain) was recognised in other comprehensive income during the year. No amounts (2022: £nil) relating to hedge ineffectiveness were recognised in profit or loss during the year.

On 16 December 2022, the Company repaid the US\$153.0m private placement notes and settled the cross-currency interest rate swaps.

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

	2023	2022
	Assets	Assets
	£000	£000
Derivative financial instruments hedging private placement notes ¹	-	19,597
Current	-	19,597

Note:

1. Derivative financial instruments hedging private placement notes comprise cross-currency interest rate swaps designated as cash flow hedges. The Company settled the cross-currency swap on 16 December 2022.

Hedge of net investment in foreign operations

Included in bank loans at 31 March 2023 was a borrowing of €9.5m (2022: €9.5m) which has been designated as a hedge of the net investment in the Republic of Ireland business of Mitie Facilities Management Limited, and is being used to hedge the Company's exposure to foreign exchange risk on this investment. Gains or losses on the translation of the borrowing are transferred to other comprehensive income to offset gains or losses on the translation of the net investment.

Notes to the financial statements (continued)**15 Equity**

Share capital	2023 Number	2022 Number	2023 £000	2022 £000
Ordinary shares of £1 each	554,034,025	554,034,025	554,034	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

Share premium represents the premium arising on the issue of equity shares.

Merger reserve

The merger reserve represents amounts relating to premiums arising on shares issued subject to the provisions of Section 612 of the Companies Act 2006. See note 1c.

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.

Retained (losses)/earnings

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

16 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.

17 Subsequent events

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

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