Mitie Business Services UK Limited

Annual report and financial statements

Registered number 07807297

31 March 2021

Contents

Company information

Directors
P J G Dickinson
S C Kirkpatrick

Secretary
Mitie Company Secretarial Services Limited

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

Strategic report

Mitie Business Services UK Limited (the "Company") is an indirect 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 continued to be to provide a comprehensive suite of outsourced document management and business support services to banking, legal and commercial venues throughout the UK. There have not been any significant changes in the Company's principal activities in the year under review.

As shown in the Company's profit and loss account on page 11, the Company's turnover reduced to £14,616,000 for the year (2020: £16,011,000). This was as a result of the COVID-19 pandemic and the need for national and local lockdowns, this impacted the demand for services as customers significantly reduced their office presence and transitioned to working from home. However, following a review with customers and to protect jobs the Company used the Government Coronavirus Job Retention Scheme. The Company's profit saw a decline due to the reduction in variable works and an increase in management charge cost allocations from the Group therefore profit after tax was £836,000 (2020: £1,785,000).

For the year ended 31 March 2021, a net amount of £403,000 (2020: £nil) was received representing UK Government grants under the Coronavirus Job Retention Scheme. Refer to Note 3.

Key performance indicators
The Group manages its operations on a divisional basis. For this reason, the Company's Directors do not believe further key performance indicators are necessary for an appropriate understanding of the performance and position of the business. The performance of the Group's divisions is discussed in the 2021 Mitie Group plc Annual Report and Accounts which does not form part of this report.

Principal risks and uncertainties
The Company is part of the Mitie Group and manages its risks within the Mitie Group Risk Framework. Details of the principal risks and uncertainties are given in the 2021 Mitie Group plc Annual Report and Accounts. The Directors have reviewed the financial risk management objectives and policies of the Company in light of the Group Risk Framework. The Directors do not believe there to be any significant risks other than those detailed below.

The key risks are as follows:

Strategic Risks

COVID-19
Whilst the COVID-19 pandemic has had an unprecedented impact on businesses and economic activity across the world, Mitie has been able to meet many of the challenges COVID-19 brought with it. That said, these challenges remain as major issues for all organisations including Mitie and will continue to cause uncertainty in revenues, supplies and employee availability. Failure to monitor, respond to and plan for the ongoing and any future impacts of the COVID-19 pandemic, in particular the effect on employees, customers and the supply chain, could result in severe consequences for the financial health and reputation of the Company's business.

The Company has gone through a continuing pattern of modelling and assessing the impact throughout the crisis, including the government imposed lockdown measures, establishing new ways of working through the different phases and then preparing longer term plans once the UK lockdown starts to ease and business activity returns to more normal levels. To manage the risk, crisis management and business continuity plans have been driven by a robust governance structure, agile working practices and support to our numerous front line workers. Where necessary government support schemes have been utilised and working groups established at the Mitie Group level and with individual clients to monitor ongoing impacts, mitigating developing issues and to coordinate action planning. By being at the centre of the Government's Test and Trace approach to COVID-19 Mitie has been able to achieve good revenues, however in the medium term new business opportunities will be required to be identified as the need for testing for those affected by the pandemic reduce.

Strategic report *(continued)*

Strategic Risks *(continued)*

COVID-19 (continued)
Controls and mitigation plans have been put in place by the Group to mitigate such risks. These controls include but are not limited to:

1. Crisis and Business Continuity Management frameworks invoked and implemented throughout the Group and in collaboration with clients;
2. Continuing governance including a Group-led COVID-19 Working Group that has coordinated responses since February 2020;
3. Increased meeting frequency at the Mitie Group Executive level (MGX) to monitor ongoing impacts and direct actions;
4. Close working relationship maintained with the UK Government through the Cabinet Office;
5. Coordinated support to critical infrastructure throughout the pandemic;
6. Ongoing dialogue with clients to understand their requirements;
7. Close monitoring of supply chain to ensure continuity of critical supplies;
8. Use of UK Government support schemes, including the Coronavirus Job Retention Scheme (Furlough); and
9. Regular forecasting and reviews of revenue and cash.

Impact of the UK leaving the European Union (Brexit)
The lack of clarity of the impact of Brexit on the UK may still adversely affect our ability to plan and invest, as well as the availability of labour and materials. Whilst the Company's client base is predominantly within the UK, the recent integration of Interserve FM has brought with it some non UK business, which may bring some trading issues. The still unresolved trading process for the Irish border may in turn cause some issues, as well as affect changes to the regulatory framework and lead to possible restrictions in the supply of materials. The rules around immigration and non-UK nationals working in the UK may adversely impact the supply of labour for our business and this is being rigorously monitored.

The continuing impact of the Brexit negotiations may also influence the decisions taken by both public and private sector clients as to which activities should be outsourced and the amount of discretionary spend available for outsourcing activities. This may result in fewer opportunities for the Company and have a consequential negative impact on our financial performance.

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

1. Executive level sponsor appointed to lead the organisational response;
2. Group-led Brexit Readiness Working Group established and led by the Group Head of Risk;
3. Full review of EU-UK Trade and Cooperation Agreement undertaken, and robust control plan adopted;
4. Close working relationship maintained with UK Government to ensure continuity of service;
5. Dedicated account managers to focus on growing integrated strategic accounts and wider ongoing client dialogue to understand requirements and sales opportunities;
6. Continuing drive for greater customer retention and higher Net Promoter Scores through improvements in customer service following 2020/21 good scores;
7. Regular review of overseas insurance to ensure compliance; and
8. Ongoing review of Settlement Status and implications of non-tariff measures.

In conjunction with the above, it is important that we are able to offer competitive, innovative and high-quality solutions to clients, and demonstrate the value we bring to them. We also need to ensure we carefully monitor and identify the most appropriate opportunities in both the public and private sectors.

Strategic report *(continued)*

Financial Risks

Reliance on material counterparties

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

Operational Risks

Significant health, safety or environmental incidents

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

System, process or control failure

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

Attracting and retaining skilled people

Failure to attract new talent and develop existing employees could impact growth. The Company utilises the Group's career development, recruitment and talent management programmes to ensure that it attracts and retains key people.

Financial risk management

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

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

Strategic report *(continued)*

Section 172 statement
Mitie Business Services UK Limited is part of the Mitie Group of companies. Mitie Group plc's ("Mitie(s)") board of directors are referred to in this statement as the "Board".

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

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

Stakeholder	Engagement activity	Important issues discussed
Customers	- Management of customer relationships by divisional leadership - Net Promoter Score programme	- COVID-19 response - Customer satisfaction - Governance and transparency - Social value
Shareholder	- Regular senior leadership meetings	- Financial performance - COVID-19 response - Rights issue - Acquisition of Interserve
Communities and the environment	- The Mitie Foundation - Local community events - Employee volunteering	- COVID-19 response - Social Value - Reduction in carbon emissions
Employees[1]	- Upload engagement survey - All employee Teams meetings - Weekly Recap and Monthly Download - Pulse surveys - Designated non-executive director Jennifer Duvalier - Regular communication plan for furloughed employees	- COVID-19 response - UK Government Coronavirus Job Retention Scheme (Furlough) - Acquisition of Interserve - Reward and recognition - Remuneration and benefits - Career opportunities and development
Suppliers	- Supplier workshops - Global supplier portal	- COVID-19 response - Acquisition of Interserve - Responsible procurement - Prompt payment code

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

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

Example: With full support from the Board, approval from Mitie Group plc's shareholders was sought and obtained in November 2020 for the acquisition of Interserve Facilities Management ("Interserve"). Completion of the acquisition took place on 30 November 2020.

The Directors, through Mitie's governance framework, were a part of this decision-making process by considering matters such as the enhancement of competitive positioning, diversification, resilience, and significant growth opportunities the acquisition could bring. The Directors attended numerous Board and management meetings and were involved in the preparation and review of detailed due diligence, financial modelling, board papers and external advice related to the acquisition.

Strategic report *(continued)*

Section 172 statement *(continued)*

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

Example: In response to the COVID-19 pandemic, the Directors' were involved in several decisions designed to help and support Mitie's workforce through an extremely unsettling and uncertain time. This included the introduction of a dedicated COVID-19 email, regular pulse surveys, a new company-wide Agile Working Policy, a new external colleague platform to ensure colleagues on the frontline could easily access news and information about Mitie, optimised Microsoft Teams to enable virtual collaboration across Mitie and the launch of the 'One Mitie' Occupational Health and Wellbeing Strategy and digital wellbeing platform.

Example: Following the COVID-19 pandemic outbreak, the Directors' chose to utilise the UK Government's Coronavirus Job Retention Scheme (Furlough) to prevent redundancies amongst Mite's employees. To safe-guard the interest of furloughed employees, the Directors' introduced certain measures including (but not limited to), regular communication plan for furloughed employees, setting up a dedicated furlough website, introducing a mechanism for efficient re-deployment of furloughed staff where possible and providing extremely vulnerable employees with the right to be furloughed.

Fostering business relationships with suppliers, customers and others
Suppliers
The Directors' support Mitie's responsibility targets which are focused on increasing the percentage of Mitie's spend that goes to small and medium-sized enterprises, and voluntary, charity and social enterprise suppliers.

Example: Mitie continues to leverage and improve its SMF to develop its partnership with key suppliers. The framework provides a mechanism for scoring a supplier's performance and jointly reviewing it to create action plans which unlock new value for both parties. As the SMF develops, a greater percentage of Mitie's spend is being brought into scope. As part of the ethical and sustainable supply metric, all SMF-managed suppliers will be scored and have their performance reviewed on meeting Mitie's social value policy, their carbon reduction plans, actions to reduce environmental impact, Modern Slavery Act compliance and innovations to support Mitie's Plan Zero and social value initiatives.

Example: Mitie's supply chain was not immune to the impacts of Brexit and COVID-19, however, by adopting a flexible and responsive attitude the procurement teams managed the inherent risks so that the impact was low. COVID-19 had a major impact early on with PPE suppliers under pressure from Central Government and other customers, Mitie's response, wholly supported by the Directors', was to set up a completely new supply chain, storage and distribution solution. This benefited the whole Mitie business and customer base and continues to play a strategic part in the COVID-19 response.

Customers
Customers are at the heart of the business and therefore the Directors consider that getting closer to customers and thus becoming more responsive to their needs, is important. To support this, Mitie implemented the Net Promoter Score ("NPS") which is carried out annually and uses direct customer feedback to inform a company's activity.

The NPS score for the Company has increased year on year demonstrating the focus on customer service is having the right impact.

Example: The interests of customers were considered when discussing the acquisition of Interserve, including the benefits of Mitie's technology to Interserve customers, the consolidation of supplier bases, the combination of expertise from both businesses and impact of the integration process. The Directors' were heavily involved in the communication plan prepared for customers to build relationships and keep customers informed throughout the transaction.

Strategic report *(continued)*

Section 172 statement *(continued)*

Impact of operations on the community and the environment

The Directors are supportive of Mitie's initiatives to improve the operations of the company on the community and the environment. One of the Company's Directors is a member of Mitie's Social Value and Responsible Business Committee.

Example: The Directors were involved in discussions around the impact of the Interserve acquisition on Mitie's Plan Zero commitment, specifically on Mitie targets and on the wider social value agenda and the expansion of the work of the Mitie Foundation agenda to include Interserve FM geographical areas.

The Social Value and Responsible Business Committee analysed the effect of the acquisition on Mitie's Social Value targets and new targets, still ambitious, yet practical, have been agreed as a consequence.

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. This framework is applied throughout the Mitie Group and is adhered to by the directors of all of Mitie's subsidiaries. This ensures consistency in decision making which is crucial for achieving long term success and creating sustainable value.

Details of how Mitie complies with the UK Corporate Governance Code can be found in the 2021 Mitie Group plc Annual Report and Accounts.

The need to act fairly as between members of the company

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

Future developments

The Directors expect the general level of activity to increase in the forthcoming year. However, this is contingent on the continued easing of lockdown measures and continued improvement in the COVID-19 pandemic, particularly the recovery in the legal and banking sectors and the move back to offices from working at home. However, we are well positioned with our technology offerings and offsite infrastructure to adapt to any permanent changes in reducing client property portfolios. The Company has a strong sales pipeline, orderbook and retention rate.

Post balance sheet events

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

Approved by the Board and signed on its behalf by:

DocuSigned by:

7C53DEA07E394E2

S C Kirkpatrick
Director

18 August 2021

Directors' report

The Directors present the Annual report and unaudited financial statements of Mitie Business Services UK Limited for the year ended 31 March 2021.

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

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

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

Director	**Date of resignation**
P J G Dickinson	
S C Kirkpatrick	
J H J Gilding	29/01/2021

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

Dividends
No dividend was declared or paid in the year (2020: £nil).

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

The banking, legal and commercial venue sectors were particularly affected by the COVID-19 pandemic, which resulted in national and local lockdowns meaning people needed to work from home. This reduced the demand for on-site services in client mailrooms, print rooms/reprographics and records management, although the Company saw an increase in demand for offsite services which comprise scanning services, hybrid and digital mail and document storage. Where services were no longer required, and in collaboration with clients, the Company protected jobs by using the Government Coronavirus Job Retention Scheme, however the majority of the Company's services continued, but on a reduced basis.

The Company's current trading is strong as we continue to work with the Company's existing clients to support their needs through the pandemic.

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

Directors' report *(continued)*

Employees

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

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

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

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

Other information

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

On behalf of the Board

DocuSigned by:
7C53DEA07E394E2

S C Kirkpatrick
Director

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

18 August 2021

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

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

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

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

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

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

Profit and loss account

	Note	**2021**	2020
		£000	£000
Turnover	*2*	**14,616**	16,011
Cost of sales		**(13,372)**	(13,700)
Other income	*3*	**403**	-
Gross profit		**1,647**	2,311
Administrative expenses		**(715)**	(162)
Operating profit	*3*	**932**	2,149
Interest receivable and similar income	*6*	**100**	58
Interest payable and similar expenses	*7*	-	(1)
Profit before tax		**1,032**	2,206
Tax	*8*	**(196)**	(421)
Profit for the year		**836**	1,785

The notes on pages 14 to 29 form an integral part of the financial statements.

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

There were no items of other comprehensive income recognised during the current or prior year. Accordingly, no statement of comprehensive income has been prepared.

Balance sheet

	Note	**2021** **£000**	2020 £000
Non-current assets			
Tangible fixed assets[1]	*9,13*	**-**	9
Deferred tax assets	*12*	**15**	19
Total non-current assets		**15**	28
Current assets			
Debtors	*10*	**6,036**	2,519
Cash at bank and in hand		**1,053**	2,802
Total current assets		**7,089**	5,321
Current liabilities			
Creditors[2]	*11*	**(2,271)**	(1,574)
Current tax payable		**(288)**	(95)
Deferred income		**(22)**	-
Lease liabilities	*13*	**-**	(8)
Total current liabilities		**(2,581)**	(1,677)
Net current assets		**4,508**	3,644
Net assets		**4,523**	3,672
Capital and reserves			
Share capital	*14*	**219**	219
Share premium account	*14*	**206**	206
Profit and loss reserve	*14*	**4,098**	3,247
Shareholders' funds		**4,523**	3,672

Note:
1. Includes right-of-use assets of £nil (2020: £8,000) recognised under IFRS 16. See Note 13.
2. The creditors balance as at 31 March 2020 has been re-presented to exclude current tax payable which is now presented on a separate line within current liabilities.

The notes on pages 14 to 29 form an integral part of the financial statements.

For the year ended 31 March 2021 the Company was entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies. The members have not required the Company to obtain an audit of its accounts for the year ended 31 March 2021 in accordance with section 476 of the Companies Act 2006. The Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

The financial statements of Mitie Business Services UK Limited, company number 07807297, were approved by the Board of Directors and authorised for issue on 18 August 2021 and were signed on its behalf by:

DocuSigned by:
7C53DEA07E394E2
S C Kirkpatrick
Director

Statement of changes in equity

	Share capital £000	Share premium account £000	Profit and loss reserve £000	Total equity £000
At 1 April 2019	219	206	1,462	1,887
Profit for the year	-	-	1,785	1,785
Total comprehensive income	-	-	1,785	1,785
At 31 March 2020	219	206	3,247	3,672
At 1 April 2020	219	206	3,247	3,672
Profit for the year	-	-	836	836
Total comprehensive income	**-**	**-**	**836**	**836**
Share-based payments	-	-	15	15
At 31 March 2021	**219**	**206**	**4,098**	**4,523**

The notes on pages 14 to 29 form an integral part of the financial statements.

Notes

1 Accounting policies, judgements and estimates

a) General information

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

b) Statement of compliance with FRS 101

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

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

c) Basis of preparation

Going concern

The financial statements have been prepared on a going concern basis. The Company participates in the Group's centralised treasury arrangements and shares banking arrangements with Mitie Group plc, its ultimate parent, and with fellow subsidiaries. The Directors have received a letter of support from the directors of Mitie Group plc to confirm provision of adequate financial resources to the Company for a period of not less than twelve months from the date of approval of the Company's statutory financial statements for the period ended 31 March 2021 to ensure that the Company can meet its liabilities as they fall due.

The directors of Mitie Group plc have carried out an assessment on the ability of Mitie Group plc and its subsidiaries (the "Group") to continue as a going concern for the period of at least 12 months from the date of approval of the financial statements. This assessment has involved the review of medium-term cash forecasts which includes the ongoing impact of COVID-19 on each of the Group's operations. These base case forecasts indicate that the debt facilities currently in place are adequate to support the Group over the going concern assessment period.

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

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

Notes *(continued)*

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

c) Basis of preparation *(continued)*

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

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

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

- reviewing how the Group has traded since the impact of COVID-19 started, and in light of the continued easing of UK lockdown measures and anticipated economic recovery;
- all reverse stress test scenarios would require a very severe deterioration compared to the base case. Revenue is considered to be the key risk, as this is less within the control of management. Revenue would need to decline by approximately 20% in the year ending 31 March 2022 compared to the base case, 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 in a COVID-hit year, the Group's revenue excluding Interserve declined by only 1.6% in the year ending 31 March 2021; and
- in the event that results started to trend significantly below those included in the Group cash flow model, additional mitigation actions have been identified that would be implemented, which are not factored into the reverse stress test scenarios. These include cancellation of discretionary bonuses and reduced discretionary spend, including capital investments.

Based on these assessments, the directors 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.

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 2021. Accordingly, the financial statements have been prepared on a going concern basis.

Notes *(continued)*

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

c) Basis of preparation *(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 tangible fixed assets and share capital;
- the statement of compliance with Adopted IFRS;
- certain disclosures required by IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15");
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of Key Management Personnel; and
- disclosure in respect of related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

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

- IFRS 2 *Share-based Payment* in respect of Group settled share based payments; and
- certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instruments: Disclosures.*

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

Measurement convention
The financial statements are prepared on the historical cost basis.

Notes *(continued)*

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

d) Significant accounting policies

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

Revenue recognition policy

The Company operates contracts with a varying degree of complexity across its service lines, so a range of methods is used for the recognition of revenue based on the principles set out in IFRS 15. Revenue represents income recognised in respect of services provided during the period based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

IFRS 15 provides a single, principles based five-step model to be applied to all sales contracts as outlined below. It is based on the transfer of control of goods and services to customers and replaces the separate models for goods, services and construction contracts.

Step 1 - Identify the contract(s) with a customer

For all contracts with customers, the Company determines if the arrangement creates enforceable rights and obligations. This assessment results in certain Framework arrangements or Master Service Agreements ("MSAs") not meeting the definition of contracts under IFRS 15 unless they specify the minimum quantities to be ordered. Usually the work order and any change orders together with the Framework or MSA will constitute the IFRS 15 contract.

Duration of contract

The Company frequently enters into contracts with customers which contain extension periods at the end of the initial term, automatic annual renewals, and/or termination for convenience and break clauses that could impact the actual duration of the contract. As the term of the contract impacts the period over which amortisation of contract assets and revenue from performance obligations may be recognised, the Company applies judgement to assess the impact that such clauses have in determining the relevant contract term. In forming this judgement, management considers certain influencing factors including the amount of discount provided, the presence of significant termination penalties in the contract, and the relationship, experience and performance of contract delivery with the customer and/or the wider industry, in understanding the likelihood of extension or termination of the contract.

Contract modifications

A contract modification takes place when the amendment creates new enforceable rights and obligations or changes the existing price or scope (or both) of the contract, and the modification has been approved. Contract modifications can be approved in writing, by oral agreement, or implied by customary business practices.

If the parties to the contract have not approved a contract modification, revenue is recognised in accordance with the existing contractual terms. If a change in scope has been approved but the corresponding change in price is still being negotiated, the Company estimates the change to the total transaction price.

Contract modifications are accounted for as a separate contract if the contract scope changes due to the addition of distinct goods or services and the change in contract price reflects the standalone selling price of the distinct goods or services. The facts and circumstances of any modification are considered in isolation as these are specific to each contract and may result in different accounting outcomes.

Step 2 - Identify the performance obligations in the contract

Performance obligations are the contractual promises by the Company to transfer distinct goods or services to a customer. For arrangements with multiple components to be delivered to customers such as in the Company's integrated facilities management contracts, the Company applies judgement to consider whether those promised goods or services are:

i. distinct and accounted for as separate performance obligations;
ii. combined with other promised goods or services until a bundle is identified that is distinct; or
iii. part of a series of distinct goods or services that are substantially the same and have the same pattern of transfer over time i.e. where the customer is deemed to have simultaneously received and consumed the benefits of the goods or services over the life of the contract, the Company treats the series as a single performance obligation.

Notes *(continued)*

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

d) Significant accounting policies *(continued)*

Step 3 - Determine the transaction price
At contract inception, the total transaction price is determined, being the amount to which the Company expects to be entitled and has rights under the contract. This includes the fixed price stated in the contract and an assessment of any variable consideration, up or down, resulting from e.g. discounts, rebates, service penalties. Variable consideration is typically estimated based on the expected value method and is only recognised to the extent it is highly probable that a subsequent change in its estimate would not result in a significant revenue reversal.

Step 4 - Allocate the transaction price to the performance obligations in the contract
The Company allocates the total transaction price to the identified performance obligations based on their relative stand-alone selling prices. This is predominantly based on an observable price or a cost plus margin arrangement.

Step 5 - Recognise revenue when or as the entity satisfies its performance obligations
For each performance obligation, the Company determines if revenue will be recognised over time or at a point in time. Where revenue is recognised over time, the Company applies the relevant output or input revenue recognition method for measuring progress that depicts the Company's performance in transferring control of the goods or services to the customer.

Certain long-term contracts use output methods based upon surveys of performance completed, appraisals of results achieved, or milestones reached which allow the Company to recognise revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services under the contract.

Under the input method, measured progress and revenue are recognised in direct proportion to costs incurred where the transfer of control is most closely aligned to the Company's efforts in delivering the service.

Where deemed appropriate, the Company will utilise the practical expedient within IFRS 15, allowing revenue to be recognised at the amount which the Company has the right to invoice, where that amount corresponds directly with the value to the customer of the Company's performance obligations completed to date.

If performance obligations do not meet the criteria to recognise revenue over time, revenue is recognised at the point in time when control of the goods or services passes to the customer. This may be at the point of physical delivery of goods and acceptance by a customer or when the customer obtains control of an asset or service in a contract with customer-specified acceptance criteria. Sales of goods are recognised when goods are delivered and control has passed to the customer.

Repeat service-based contracts (single and bundled contracts)
The Company operates a number of single or joint-service line arrangements where repeat services meet the definition of a series of distinct services that are substantially the same. They have the same pattern of transfer of value to the customer as the series constitutes core services provided in distinct time increments (e.g. monthly or quarterly). The Company therefore treats the series of such services as one performance obligation.

Short-term service-based arrangements
The Company delivers a range of other short-term service based performance obligations and professional services work for which revenue is recognised at the point in time when control of the service has transferred to the customer. This may be at the point when the customer obtains control of the service in a contract with customer-specified acceptance criteria e.g. the delivery of a strategic operating model or report.

Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received and all conditions attaching to the grant will be complied with. Government grants that compensate the Company for expenses incurred are recognised in the profit and loss account over the periods necessary to match the grant with the related costs. Where the expenses incurred are recognised in cost of sales, the associated Government grants are recognised as Other income. Where the expenses incurred are recognised in administrative expenses, the Government grants are recognised as Other operating income. Any repayment of grants is charged to the profit and loss account to reverse the associated amounts recognised, at the point when the Directors have taken the decision to repay the amount to the government and the intention to repay has been communicated to the government.

Notes *(continued)*

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

d) Significant accounting policies *(continued)*

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

Contract costs
The Company incurs pre-contract expenses (e.g. legal costs) when it is expected to enter into a new contract. The incremental costs to obtain a contract with a customer are recognised within contract assets if it is expected that those costs will be recoverable. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense in the period.

Accrued income and deferred income
The Company's customer contracts include a diverse range of payment schedules which are often agreed at the inception of long-term contracts under which it receives payments throughout the term of the arrangement. Payments for goods and services transferred at a point in time may be at the delivery date, in arrears or part payment in advance.

Where revenue recognised at the period end date is more than amounts invoiced, the Company recognises accrued income for the difference. Where revenue recognised at the period end date is less than amounts invoiced, the Company recognises deferred income for the difference.

Certain arrangements with customers include a contractual obligation to make redundancies for which the Company is reimbursed for the costs incurred. Revenue is not recognised on these transactions. Instead, the Company expenses all redundancy costs in the period they are incurred and any reimbursement credit is matched against the associated cost included in the profit and loss account up to the value of the redundancy cost incurred. Any cash payments received from the customer in excess of the reimbursement cost of redundancy are deferred over the contract term and unwound in line with the other services being delivered.

Where price step-downs are required in a contract and output is not decreasing, revenue is deferred from initial periods to subsequent periods in order for revenue to be recognised on a consistent basis.

Providing the option for a customer to obtain extension periods or other services at a significant discount may lead to a separate performance obligation where a material right exists. Where this is the case, the Company allocates part of the transaction price from the original contract to deferred income which is then amortised over the discounted extension period or recognised immediately when the extension right expires.

Finance costs
Finance costs consist of interest and other costs that are incurred in connection with the borrowing of funds. Finance costs are recognised in the profit and loss account in the period in which they are incurred.

Share-based payments
The Company participates in a number of Mitie Group plc executive and employee share option schemes. For grants of share options and awards, the fair value as at the date of grant is calculated using the appropriate valuation model and the corresponding expense is recognised on a straight-line basis over the vesting period based on the Company's estimate of shares that will eventually vest. Further details of the Group's share option schemes are contained in the Mitie Group plc annual report.

Save As You Earn ("SAYE") options are treated as cancelled when employees cease to contribute to the scheme, resulting in an acceleration of the remainder of the related expense.

Notes *(continued)*

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

d) Significant accounting policies *(continued)*

Taxation

The tax charge represents the sum of the tax currently payable and deferred tax.

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

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

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

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

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

Tangible fixed assets

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

Plant and vehicles	3-5 years

The Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes *(continued)*

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

d) Significant accounting policies *(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 at bank and in hand, and trade and other debtors. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

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

Financial liabilities comprise trade and other creditors. These are measured at initial recognition at fair value and subsequently at amortised cost.

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

Leases
The Company has various lease arrangements for properties (e.g. office buildings and storage facilities). At inception of a lease contract, the Company assesses whether the contract conveys the right to control the use of an identified asset for a certain period of time and whether it obtains substantially all the economic benefits from the use of that asset, in exchange for consideration. The Company recognises a lease liability and a corresponding right-of-use asset with respect to all lease arrangements in which it is a lessee.

A right-of-use asset is capitalised on the balance sheet at cost which comprises the present value of future lease payments determined at the inception of the lease adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred in addition to an estimate of costs to remove or restore the underlying asset. Where a lease incentive is receivable, the amount is offset against the right-of-use asset at inception. Right-of-use assets are depreciated using the straight-line method over the shorter of estimated life of the asset or the lease term and are reviewed for impairment to account for any loss when events or changes in circumstances indicate the carrying value may not be fully recoverable. Right-of-use assets exclude low-value leases and short-term leases of 12 months or less, costs for which are recognised as an operating expense within the profit and loss account as they are incurred.

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

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

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

Notes *(continued)*

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

e) Critical accounting judgements and key sources of estimation uncertainty

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

Critical judgements in applying the Company's accounting policies

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

Revenue recognition

The Company's revenue recognition policies, which are set out under Revenue recognition in Note 1d, are central to how the Company measures the work it has performed in each financial year.

Due to the size and complexity of the Company's contracts, management is required to form a number of key judgements in the determination of the amount of revenue and profits to record, and related balance sheet items such as contract assets, accrued income and deferred income to recognise. This includes an assessment of the costs the Company incurs to deliver the contractual commitments and whether such costs should be expensed as incurred or capitalised. These judgements are inherently subjective and may cover future events such as the achievement of contractual performance targets and planned cost savings or discounts.

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

Recoverability of accrued income

The Company has material amounts of unbilled work outstanding at 31 March 2021. Debtors are recognised initially at cost (being the same as fair value) and subsequently at amortised cost less any allowance for impairment, to ensure that amounts recognised represent the recoverable amount. The Company recognises a loss allowance for ECLs on all receivable balances from customers using a lifetime credit loss approach and includes specific allowance for impairment where there is evidence that the Company will not be able to collect amounts due from customers, subsequent to initial recognition. Management applies judgement on specific allowances for impairment based on the information available at each reporting date which includes an assessment of current disputes with customers over commercial positions, and where information suggests customers are facing significant financial difficulties.

Recoverability of amounts owed by Group undertakings

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that 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:

Deferred tax assets

The Company has recognised deferred tax assets of £15,000 (2020: £19,000), refer to Note 12. The Directors have assessed recovery of these assets with reference to the Company's medium-term forecasts. Recovery of these assets is subject to the Company generating taxable profits in future years.

Notes *(continued)*

2 Turnover

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

3 Operating profit

Operating profit is stated after charging/(crediting):

	2021 £000	2020 £000
Depreciation of tangible fixed assets	**1**	1
Depreciation of right-of-use assets	**8**	19
Other income[1]	**(403)**	-

Note.
1. For the year ended 31 March 2021, a net amount of £403,000 (2020: £nil) was received from a fellow group company who made a claim on the behalf of the Company and which represents UK Government grants received under the Coronavirus Job Retention Scheme of £405,000 (2020: £nil), less repayments back to the UK Government of £2,000 (2020: £nil) relating to furloughed employees working for the Company

4 Staff numbers and costs

There were no persons employed by the Company (including Directors) during the year ended 31 March 2021 and 31 March 2020. However, 312 employees worked for Mitie Business Services UK Limited but were employed by another Group company and the associated costs were allocated to the Company for cost recharging purposes (2020: 332). The aggregate payroll costs incurred by the Company for allocated employees were as follows:

	2021 £000	2020 £000
Wages and salaries	**6,714**	7,348
Share-based payments	**15**	(1)
Social security costs	**543**	600
Termination and redundancy payments	**43**	18
Pension costs	**182**	248
	7,497	8,213

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
S C Kirkpatrick	Mitie Limited	Mitie Limited
J H J Gilding	Mitie Limited	Mitie Business Services Limited

Notes *(continued)*

6 Interest receivable and similar income

	2021	2020
	£000	£000
Interest receivable and similar income from Group undertakings	**100**	58
Total	**100**	58

7 Interest payable and similar expenses

	2021	2020
	£000	£000
Interest on lease liabilities	**-**	1
Total	**-**	1

8 Tax

	2021	2020
Analysis of charge in the year	**£000**	£000
UK corporation tax at *19% (2020: 19%)*		
Current tax on profit for the period	**199**	419
Adjustments in respect of prior periods	**(7)**	1
Total current tax	**192**	420
Deferred tax (see note 12)		
Origination and reversal of temporary timing differences	**(3)**	1
Restatement of opening deferred tax balances	**-**	(2)
Adjustments in respect of prior periods	**7**	2
Total deferred tax	**4**	1
Total charge for the year	**196**	421

Notes *(continued)*

8 Tax *(continued)*

Reconciliation of effective tax rate	**2021 £000**	2020 £000
Profit before tax	**1,032**	2,206
Tax using the UK corporation tax rate of 19% *(2020: 19%)*	**196**	419
Restatement of opening deferred tax balances	**-**	(2)
Adjustments in respect of employee share options	-	1
Adjustments in respect of prior periods	**-**	3
Total tax charge	**196**	421

The UK corporation tax rate was due to reduce from 19% to 17% from 1 April 2020. This change is no longer occurring and as a consequence a credit of £nil (2020: £2,000) has been included in the tax charge. Deferred tax assets (note 12) reflect this change.

The main rate of corporation tax will remain at 19% until 1 April 2023 when it will increase to 25%. The increased rate has not been used to calculate the deferred tax assets as it was not substantively enacted at the balance sheet date. When substantively enacted, the increased rate of UK corporation tax is not expected to have a material impact on the company's deferred tax assets.

9 Tangible fixed assets

The below relates to owned tangible fixed assets.

	Plant and vehicles £000
Cost	
At 1 April 2020	44
Balance at 31 March 2021	**44**
Accumulated depreciation and impairment	
At 1 April 2020	43
Depreciation charge for the year	1
Balance at 31 March 2021	**44**
Net book value	
At 1 April 2020	1
At 31 March 2021	-

Notes *(continued)*

10 Debtors

	2021 **£000**	2020 £000
Trade debtors	**-**	37
Amounts owed by Group undertakings	**5,470**	1,831
Prepayments	**24**	57
Accrued income	**496**	389
Other debtors	**46**	205
Total	**6,036**	2,519

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

Amounts owed by Group undertakings are repayable on demand.

Included within amounts owed by Group undertakings above, is £3,980,000 (2020: £nil) relating to loans bearing interest at 5% per annum (2020: nil% per annum).

11 Creditors

	2021 ***£000***	2020[1] *£000*
Trade creditors	**652**	516
Amounts owed to Group undertakings	**387**	315
Other taxes and social security	**27**	24
Accruals	**1,126**	657
Other creditors	**79**	62
Total	**2,271**	1,574

Note:
1. The creditors balance as at 31 March 2020 has been re presented to exclude current tax payable which is now presented on a separate line within current liabilities.

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

Amounts due to Group undertakings are repayable on demand.

Notes *(continued)*

12 Deferred tax assets

Recognised deferred tax assets
Deferred tax assets are attributable to the following:

	2021	2020
	£000	£000
Tangible fixed assets	**8**	15
Share-based payments	**3**	-
Provisions	**4**	4
	15	19

Movement in deferred tax during the year

	1 April 2020	**Recognised in income**	**31 March 2021**
	£000	**£000**	**£000**
Tangible fixed assets	15	(7)	**8**
Share-based payments	-	3	**3**
Provisions	4	-	**4**
	19	(4)	**15**

Movement in deferred tax during the prior year

	1 April 2019	Recognised in income	31 March 2020
	£000	£000	£000
Tangible fixed assets	17	(2)	15
Share-based payments	1	(1)	-
Provisions	2	2	4
	20	(1)	19

The UK corporation tax rate was due to reduce from 19% to 17% from 1 April 2020. This change is no longer occurring and as a consequence a credit of £nil (2020: £2,000) has been included in the tax charge. The deferred tax assets disclosed above reflect this change.

Notes *(continued)*

13 Leases

	Plant and vehicles £000
Right-of-use assets	
At 1 April 2019	27
Depreciation	(19)
At 31 March 2020	8
Depreciation	(8)
At 31 March 2021	-

	£000	£000
Lease liabilities		
At 1 April 2020/2019	**8**	20
Interest expense related to lease liabilities	-	1
Repayment of lease liabilities (including interest)	**(8)**	(13)
At 31 March 2021/2020	**-**	8
Current	-	8

	2021 £000	2020 £000
Maturity analysis-contractual undiscounted cash flows		
Less than one year	**-**	8
Total undiscounted lease liabilities at 31 March	-	**8**

	2021 £000	2020 £000
Amounts recognised in the profit and loss account		
Depreciation of right-of-use assets	(8)	(19)
Operating profit impact	**(8)**	**(19)**
Interest on lease liabilities	-	(1)
Profit before tax impact	**(8)**	**(20)**

Notes *(continued)*

14 Capital and reserves

Share capital authorised and fully paid	**2021**	2020	**2021**	2020
	Number	Number	**£000**	£000
Ordinary Shares				
A Ordinary shares at £1 each	**216,750**	216,750	**217**	217
B Ordinary shares at £0.01 each	**208,250**	208,250	**2**	2
C Ordinary shares at £1 each	**1**	1	**-**	-
	425,001	425,001	**219**	219

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

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

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

Dividends
No dividend was declared or paid in the year (2020: £nil).

15 Related parties

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

16 Subsequent events

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

17 Ultimate parent company and parent company of larger group

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