

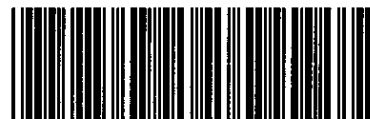
Company Registration No. 08267599

MITIE TELECOMS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

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MITIE TELECOMS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 MARCH 2023

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MITIE TELECOMS LIMITED
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COMPANY INFORMATION

Directors	P J G Dickinson M R Peacock
Company Secretary	Mitie Company Secretarial Services Limited
Company number	08267599
Registered office	Level 12 The Shard 32 London Bridge Street London SE1 9SG

MITIE TELECOMS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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STRATEGIC REPORT

Mitie Telecoms 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 is the provision of acquisition, design, build and rental services to major telecoms network operators. The provision of services is both by direct delivery and management of sub-contractor base. There have not been any significant changes in the Company's principal activities in the year under review.

The results for the comparative period ended 31 March 2022 and the balance sheet at that date constitute a lengthened accounting period of fifteen months.

As shown in the income statement on page 12, the Company's turnover was £32,608,000 (15 month period ended 31 March 2022: £25,627,000) and the loss for the year was £5,121,000 (15 month period ended 31 March 2022: £1,637,000). During the year ended 31 March 2023, the Company grew its design and build functions significantly.

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.

Strategic risks

Economic and political uncertainties

The Company's performance may be affected by general economic conditions and other financial and political factors outside the Company's control. An economic slowdown may result in decreased project work and discretionary spend or descope of services by customers, which can lead to an impact on the Company's financial performance.

During the financial year, there has been an increased net risk exposure owing to external challenges, such as ongoing threats posed by geopolitical affairs, escalating cost of living crisis and the changing UK political landscape.

The Group, of which the Company is a part, derives most of its revenue from a client base in the United Kingdom, with limited exposure to the wider global economy in respect of demand for services. However, the costs of delivery are exposed to global inflationary impacts. The Group continues to monitor the impact of the current economic and political challenges on the cost of delivering its services to ensure mitigating actions, such as using contractual protections to pass on such cost increases, minimise the Group's exposure to this and associated risks.

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

- focus on higher-margin growth opportunities;
- regular reviews of the sales pipeline;
- increasing spread of customer base, reducing reliance on individual customers;
- strategic account management programme;
- utilising contract mechanisms to recharge cost increases;
- Coupa, Mitie's digital supplier platform ("DSP"), providing greater visibility of and ability to manage supply chain; and
- leveraging buying power to help mitigate the increase in cost of goods and service.

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STRATEGIC REPORT (continued)

Competitive advantage

The Company's performance could be impacted by a failure to maintain competitive advantage resulting in the loss of key clients, an over reliance on a particular sector, or a failure to produce bids which are financially viable.

The year has witnessed many achievements for the Company, including but not limited to, a large number of high-profile contract wins and the purchase of new investments such as twelve masts to support the rentals and events business.

Despite such achievements, the Company recognises the importance of staying focussed and continually reviewing ongoing challenges, such as the threats posed from new entrants, market saturation across the sectors, growing competition as well as the ongoing effects of geopolitical affairs, all of which have the potential to impact profit margins and disrupt the Company's operations.

In the next financial year, the Company will continue to monitor the changing external environment as well as market coverage. Furthermore, it will continue to develop and deliver competitive bids, along with maintaining obligations towards the delivery of a quality service for existing clients.

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

- Bid Committee approval for complex bids;
- robust risk assessment of bids – Commercial, Legal and Operational;
- detailed contracting guidelines in place;
- clear delegated authorities register;
- strategic account management programme;
- KPI/service level agreement formal reviews with customers;
- sales and customer relationship management ("CRM") teams focused on developing pipeline across all major sectors;
- improved CRM capabilities with active relationship management;
- focus on customer satisfaction (Net Promoter Score and soliciting feedback);
- review of any loss-making contracts to ensure learnings are identified and applied to future bids;
- sales and pipeline management information to track and measure growth, wins and losses;
- win/loss debriefing process to take learnings for future bidding activities;
- focus on high-margin opportunities with growth potential, for example technology-led solutions; and
- development of new and innovative service offerings.

Business resilience

The Company's performance may be affected if it fails to effectively respond to a global event and/or catastrophic event at a key business location, resulting in significant business interruption.

During the year, the Company's commitment to ensuring its organisational resilience and viability has continued, despite uncertainty relating to increasing cyber-threats and more recent geopolitical events and the associated implications. During the year, the Company has taken additional steps to ensure its ability to respond to disruptive events is not hindered by a failure to plan. During the financial year, the Company achieved certification to ISO 22301.

The Company remains committed to enhancing its planning and response capability to minimise the impact from any significant business interruption and improve the speed of recoverability. The Company recognises that as the business grows, the risks associated with a sustained period of downtime increase.

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

- key policies and associated operating procedures in place;
- dedicated specialist teams, including Risk, Information Systems, Finance, Occupational Health, Supply Chain and Intelligence Hub;
- maintained and updated crisis and business continuity plans for key activities across all Mitie operations, including key service providers;
- disaster recovery framework embedded and managed;
- stringent governance controls, including oversight from Risk Committee, with regular reporting to the Audit Committee and Board;
- close monitoring of supply chain to ensure continuity of critical supplies;
- internal and external compliance audits;
- certified to ISO 22301:2019 and working towards certificate of conformance for ISO 31000:2018;
- regular Mitie Group Executive testing of crisis management and business continuity scenarios;

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STRATEGIC REPORT (continued)

- continuous horizon scanning via the Intelligence Hub, with regular alerts to teams on potential threats and significant events;
- critical Engineering and Technical Assurance Programme to help manage high-risk contracts;
- insurance cover in place to cover business interruption;
- colleagues can work from home without loss of any business-critical systems/applications;
- themes and root causes monitored from the results of audits to target specific actions; and
- DSP – supports the efficiency of Mitie supply chain processes (supplier onboarding/supplier health, Contract Lifecycle Management, Sourcing and Purchase to Pay).

Climate change and social impact

The Company's transition to a lower-carbon business could be hindered by an inability to quickly identify and effectively respond to the challenges posed by climate change, resulting in significant business interruption and/or compromise new opportunities for growth. Furthermore, a failure to appropriately consider the environmental and social impact of the Company's business and its activities may create a negative perception with employees, customers, investors, government and the general public. This could lead to failures in securing and/or retaining contracts and sources of funding, as well as impacting negatively on the Company's reputation.

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

- Plan Zero – continued implementation of three key pillars (eliminating carbon emissions from power and transport, eradicating non-sustainable waste and enhancing inefficient buildings to meet the highest environmental standards);
- ESG Committee;
- Environmental Management System ISO 14001 and Energy Management System ISO 50001;
- climate change risk assessment maintained and approved by the ESG Committee;
- key policies and associated operating procedures in place;
- use of in-house subject-matter experts specialising in an array of topics, including energy, waste, biodiversity, procurement and fleet;
- ISO 22301 – regular testing of crisis management and business continuity plans;
- winter and summer preparedness planning at account level;
- ongoing reviews of Planned Preventative Maintenance lifecycles;
- continuous horizon scanning via the Group's Intelligence Hub, with regular alerts to teams on potential threats and significant events;
- insurance cover in place to cover property damage and business interruption;
- targets in place for Mitie's social value framework pillars;
- Mitie Foundation – Giving Back, Mitie's employee volunteering programme; and
- active apprenticeship scheme across the Group, training Mitie colleagues to enhance operational delivery and address skills gaps.

Operational risks

Third-party management

The Company's performance could be impacted by a failure to manage strategic third-party relationships, or a catastrophic event and/or failure involving a third-party partner.

During the financial year, there has been an increased net risk exposure owing to the same challenges facing the Company also impacting the supply chain, potentially impacting access to goods and services. The Company will continue to proactively monitor developments with both the internal and external landscapes, paying particular attention to the ongoing issues still being experienced.

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

- key policies and associated operating procedures, including Supply Management Framework;
- dedicated Procurement and Commercial teams;
- 'Mitie First' approach adopted;
- rigorous onboarding framework integrated into business utilising the DSP;
- defined SLAs and KPIs;
- ongoing spending review;
- dedicated risk management and assurance procedures (including targeted Quality, Health, Safety and Environment ("QHSE") assurance programme and internal audit) to ensure internal controls are operating effectively;
- ongoing review of third-party business continuity arrangements with regular reporting to the Risk team;
- DSP facilitating supplier health and risk checks (including insolvency risk) as well as invoice processing; and
- Procurement and Supply Chain Insights.

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STRATEGIC REPORT (continued)

Regulatory risks

Regulatory

The Company's performance could be impacted by a failure to comply with applicable laws and regulations.

During the financial year, there has been increased net risk exposure owing to uncertainties concerning several known legislative changes. The Company does not envisage the pace of legislative change altering and will continue to proactively scan the external operating environment as well as assess the impact of changes, as they arise.

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

- specialist legal and QHSE expertise aligned to business units;
- code of conduct for all employees;
- independent whistleblowing system available to all employees to report any concerns;
- Group-wide policies updated for changes to laws and regulations and maintained in the online information management system;
- regular and thorough internal and external regulatory audits;
- training and awareness materials communicated to employees via Mitie's digital Learning Hub and monitoring of completion performed, especially for mandatory courses;
- regular monitoring of legal and regulatory changes by Group functions, including Company Secretariat, Legal and QHSE;
- financial governance and controls in place;
- commercial governance and controls in place; and
- establishment of Internal Control Declaration framework ongoing to align with potential UK legislation requirements.

Health, safety and environment

The Company's performance could be impacted by a failure to maintain high standards in relation to health, safety, and environmental ("HSE") practices.

The Company's HSE key performance indicators have been broadly positive with performance stable.

The Company has continued to monitor the cost-of-living crisis and COVID-19, specifically the potential for a resurgence. Both issues have the potential to impact health both in the short and long term. The Company is keen to ensure interruptions are kept to a minimum and productivity in a safe environment is maximised. Focus remains on ensuring that appropriate steps are taken to safeguard the physical and mental wellbeing of colleagues, suppliers and others involved in the Company's operations.

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

- a comprehensive QHSE strategy in place and under continual review for effectiveness;
- major cultural HS&E programme, LiveSafe, continuing, with clear rules, engagement and training for staff;
- regular training and communication delivered throughout the Group, in accordance with the LiveSafe principles. LiveSafe eLearning training programme sets out HS&E expectations, including 'stop the job' supported by key safety message from the Group's Chief Executive, Phil Bentley;
- H&S management system certified to ISO 45001 and environmental system to ISO 14001;
- fully integrated incident recording, monitoring and reporting system;
- regular HS&E reviews conducted at Group and business unit level;
- clear and standardised KPIs to monitor progress and improvements;
- targeted QHSE procedural audit programme;
- themes and root causes monitored from the results of audits to target specific actions, including training;
- QHSE function 'Plan Zero Champions' as part of the Plan Zero programme to promote strategy and good practice in environmental management;
- health and wellbeing framework integrated into the business;
- COVID-19 risk assessment and technical compliance processes in place and regularly reviewed;
- UVC disinfection system and thermal imaging in place to mitigate against spread of COVID-19;
- insurance cover in place to cover employers' liability, public liability and motor fleet insurance;
- focused zero harm weeks concentrating on pertinent subjects to further strengthen Mitie's QHSE culture; and
- ongoing review of QHSE team, ensuring maintenance of competencies and correct provision of support and guidance across the Group.

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STRATEGIC REPORT (continued)

People risks

Employees

The Company's performance could be impacted by an inability to recruit, retain and reward suitably talented employees.

During the financial year, there has been an increased net risk exposure owing to external challenges, such as reduced labour market, which triggered shortages of materials, impacted markets, and intensified the cost-of-living crisis. The Company will continue to proactively monitor developments in relation to the labour market as well as any further implications resulting from the current external landscape.

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

- consistent HR resourcing process and system across the Group;
- process in place for online training and development, with access to online learning for all colleagues;
- consistent process to manage both temporary and permanent recruitment;
- training and development programmes for senior leadership;
- developed talent identification, management and development framework;
- improved performance management framework;
- HR business partners aligned with business units;
- induction programme, mandatory for new starters;
- regular communications from leadership team – including Mitie Group Executive country-wide roadshows;
- specific plans developed to address results of employee survey;
- competitive remuneration, terms and conditions;
- regular employee offers;
- succession plans in place for critical roles, especially for senior leadership;
- attraction strategy developed and deployed;
- enhanced benefits such as Winter Support package, free shares, life assurance, virtual GP and a salary advance scheme;
- careers website;
- Employee Value Proposition; and
- career band framework.

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 Group financing arrangements.

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.

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STRATEGIC REPORT (continued)

Stakeholder	Engagement activity	Important issues discussed
Customers	<ul style="list-style-type: none"> - Management of customer relationships by divisional leadership 	<ul style="list-style-type: none"> - Customer satisfaction - Labour market constraints - Governance and transparency - Social value
Shareholders	<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
Employees ¹	<ul style="list-style-type: none"> - All employee teams meetings - Internal communications updates through weekly Recap and monthly Download updates - Pulse surveys - Designated Group non-executive director, Jennifer Duvalier 	<ul style="list-style-type: none"> - Reward and recognition - Remuneration and benefits - Career opportunities and development
Suppliers	<ul style="list-style-type: none"> - Global supplier portal 	<ul style="list-style-type: none"> - Responsible procurement

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.

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 HR and Payroll, Finance, and IT functions. During the expansion of the suite of margin initiatives, the Directors diligently considered and managed various factors, including system testing, project resourcing and potential redundancies to ensure the continuing delivery of services.

Having regard to the interests of employees

The Group has several mechanisms to engage with employees and the Directors are committed to ensuring that the results are considered in decision making.

Throughout the year, the Directors actively interacted with employees, focusing on employee-related matters such as reward and recognition, as well as during the expansion of the Company's suite of margin enhancement initiatives. To ensure effective communication, multiple mechanisms were utilised, including an annual employee survey, regular pulse surveys, and the dedicated efforts of Jennifer Duvalier, as Group non-executive director assigned to oversee the workforce. These measures effectively contributed towards keeping the workforce updated.

Fostering business relationships with suppliers, customers, and others

Suppliers

The Directors support the Group's responsibility targets which are focused on increasing the percentage of the Group's spend that goes to small and medium-sized enterprises, and voluntary, charity and social enterprise suppliers.

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STRATEGIC REPORT (continued)

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.

The Directors monitor the Net Promoter Score, a customer loyalty metric that measures how likely a customer is to recommend a product or service to a friend, to ensure customers' sentiment remains positive.

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.

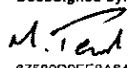
Subsequent events

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:

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M R Peacock

Director

22nd March 2024

MITIE TELECOMS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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DIRECTORS' REPORT

The Directors present the annual report and unaudited financial statements of Mitie Telecoms 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 1.2 to the financial statements.

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

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.

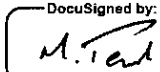
Dividends

There were no dividends during the year (15 month period ended 31 March 2022: £nil).

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.

Approved by the Board and signed on its behalf by:

DocuSigned by:

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M R Peacock

Director

22nd March 2024

MITIE TELECOMS LIMITED
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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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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.

MITIE TELECOMS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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INCOME STATEMENT

	<i>Note</i>	Year ended 31 March 2023 £000	15 month period ended 31 March 2022 £000
Turnover	2	32,608	25,627
Cost of sales		<u>(34,449)</u>	<u>(24,076)</u>
Gross (loss)/profit		(1,841)	1,551
Administrative expenses		<u>(4,025)</u>	<u>(3,355)</u>
Operating loss	4	(5,866)	(1,804)
Interest payable and similar expenses	7	<u>(487)</u>	<u>(26)</u>
Loss before tax		(6,353)	(1,830)
Tax	8	<u>1,232</u>	<u>193</u>
Loss for the financial year/period		<u>(5,121)</u>	<u>(1,637)</u>

The notes on pages 15 to 27 form an integral part of the financial statements.

The results for the current year and prior period are wholly attributable to the continuing operations of the Company.

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

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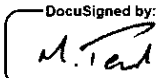
BALANCE SHEET

	<i>Note</i>	2023 £000	2022 £000
Fixed assets			
Intangible assets	9	15	27
Tangible assets	10	<u>1,075</u>	<u>797</u>
		1,090	824
Current assets			
Debtors	11	23,945	7,414
Cash at bank and in hand		<u>15</u>	<u>62</u>
		23,960	7,476
Creditors: amounts falling due within one year	12	(31,038)	(9,233)
Net current liabilities		<u>(7,078)</u>	<u>(1,757)</u>
Total assets less current liabilities		(5,988)	(933)
Provisions for liabilities	13	<u>(238)</u>	<u>(172)</u>
Net liabilities		<u>(6,226)</u>	<u>(1,105)</u>
Capital and reserves			
Called up share capital	14	1	1
Accumulated losses	14	<u>(6,227)</u>	<u>(1,106)</u>
Total shareholder's deficit		<u>(6,226)</u>	<u>(1,105)</u>

The notes on pages 15 to 27 form an integral part of the financial statements.

For the year ended 31 March 2023 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 2023 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 Telecoms Limited, company number 08267599, were approved by the Board of Directors and authorised for issue on 22nd March 2024 and were signed on its behalf by:

DocuSigned by:

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M R Peacock
Director

MITIE TELECOMS LIMITED
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STATEMENT OF CHANGES IN EQUITY

	Called up share capital £000	Retained earnings/ (accumulated losses) £000	Total shareholders' deficit £000
At 1 January 2021	1	531	532
Loss for the period	-	(1,637)	(1,637)
Total comprehensive expense	-	(1,637)	(1,637)
At 31 March 2022	1	(1,106)	(1,105)
Loss for the year	-	(5,121)	(5,121)
Total comprehensive expense	-	(5,121)	(5,121)
At 31 March 2023	1	(6,227)	(6,226)

The notes on pages 15 to 27 form an integral part of the financial statements.

MITIE TELECOMS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

Company information

Mitie Telecoms Limited (the "Company") is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The registered office is Level 12, The Shard, 32 London Bridge Street, London, SE1 9SG. Details of the Company's activities are set out in the Strategic report.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102").

In these financial statements, the Company has applied the exemptions available under FRS 102 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for intangible assets, tangible fixed assets and share capital;
- certain financial instruments disclosures;
- 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.

The financial statements are prepared in pounds sterling, which is the functional and presentational currency of the Company. All monetary amounts have been rounded to the nearest thousand pounds, unless otherwise stated. As the prior period financial statements were presented to the nearest pound, this change may have resulted in some immaterial rounding differences to the balances previously presented.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

1.2 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 of Mitie Group plc have confirmed the provision of adequate financial resources to the Company for a period of not less than 12 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 30 September 2023 were a £250m Revolving Credit Facility ("RCF"), which was undrawn as at 30 September 2023, and £150m 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.

The RCF was put in place in October 2021, and matures in October 2027. In September 2023, the Group increased the RCF from £150m to £250m and its maturity date was extended for one year to October 2027, with an option to extend for a further one year period.

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

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, primarily by the exclusion of lease liabilities) of £23.8m as at 30 September 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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 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 40% by 30 September 2024 (half year FY25), 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 ended 31 March 2021, the Group's revenue excluding Interserve declined by only 1.6%; and
- in the event that results started to trend significantly below those included in the Base Case Forecasts, additional mitigation actions have been identified that would be implemented, which are not factored into the stress test scenarios. These include the short-term scaling down of capital expenditure, overhead efficiency/reduction measures including cancellation of discretionary bonuses and reduced discretionary spend, asset disposals and reductions in cash distributions and share buybacks.

Based on these assessments, the directors 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.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of turnover can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Turnover from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, turnover is recognised only to the extent of the expenses recognised that it is probable will be recovered.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1.4 Intangible assets

Software and development expenditure is capitalised as an intangible asset if the asset created can be identified, if it is probable that the asset created will generate future economic benefits and if the development cost of the asset can be measured reliably. Following initial recognition, the carrying amount of an intangible asset is its cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are reviewed for impairment annually, or more frequently when there is an indication that they may be impaired. Amortisation expense is charged to administrative expenses in the income statement on a straight-line basis over its useful life.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and machinery	33% on cost
Office equipment	33% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is credited or charged to the income statement.

1.6 Impairment of fixed assets

At each reporting period end date, 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 the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

1.7 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, and other short-term liquid investments with original maturities of three months or less.

1.8 Financial instruments

Financial instruments are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

Basic financial liabilities

Basic financial liabilities, including creditors and loans from fellow group companies that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

1.9 Interest payable and similar expenses

Interest payable is recognised in the income statement as it accrued, using the effective interest method.

1.10 Equity instruments

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

1.11 Taxation

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

Current 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

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other further taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition 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. 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 offset current tax assets and liabilities and the deferred tax assets relate to taxes levied by the same taxation authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease assets are consumed.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in the income statement.

1.16 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements under FRS 102 requires management to make judgements, estimates and assumptions that affect amounts recognised for assets and liabilities at the reporting date and the amounts of turnover 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.

Turnover recognition

The Company's turnover recognition policies, which are set out in Note 1.3 above 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 turnover and profits to record, and related balance sheet items such as accrued income and deferred income to recognise. These judgements are inherently subjective.

Recoverability of trade debtors and accrued income

The Company has material amounts of billed and unbilled work outstanding at 31 March 2023. 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 on all debtor balances from customers 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 information about past events, current conditions and forecasts of the future economic condition of customers.

Key sources of estimation uncertainty

There were no 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 in the next financial year.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Turnover

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

3 Staff numbers and costs

There were no persons employed by the Company (including Directors) during the year ended 31 March 2023 (15 month period ended 31 March 2022: 81). However, 203 employees worked for the Company but were employed by another Group company and the associated costs were allocated to the Company for cost recharging purposes (15 month period ended 31 March 2022: nil). The aggregate payroll costs incurred by the Company for allocated employees were as follows.

	Year ended 31 March 2023 £000	15 month period ended 31 March 2022 £000
Wages and salaries	7,036	4,414
Social security costs	971	501
Pension costs	352	126
	<u>8,359</u>	<u>5,041</u>

4 Operating loss

Operating loss is stated after charging:

	Year ended 31 March 2023 £000	15 month period ended 31 March 2022 £000
Amortisation of intangible fixed assets (Note 9)	12	20
Depreciation of tangible fixed assets (Note 10)	190	72
Operating lease rentals – property	270	282

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NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Auditor's remuneration

There was no auditor's remuneration for the year ended 31 March 2023. The auditor's remuneration for the 15 month period ended 31 March 2022 was borne by Mitie Group plc and no allocation or recharge was made to the Company.

Fees paid to the Company's auditor and its associates for the 15 month period ended 31 March 2022 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.

6 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

7 Interest payable and similar expenses

	Year ended 31 March 2023 £000	15 month period ended 31 March 2022 £000
Interest payable to Group undertakings	480	-
Bank interest on loans and overdrafts	7	26
	487	26

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NOTES TO THE FINANCIAL STATEMENTS (continued)

8 Tax

	Year ended 31 March 2023 £000	15 month period ended 31 March 2022 £000
Analysis of (credit)/charge in the year/period		
<i>UK corporation tax at 19% (15 month period ended 31 March 2022: 19%)</i>		
Current tax on loss for the year/period	(1,278)	(344)
Adjustments in respect of prior periods	(20)	-
Total current tax credit	(1,298)	(344)
Deferred tax (see Note 13)		
Origination and reversal of temporary timing differences	85	119
Change in statutory tax rate	35	36
Adjustments in respect of prior periods	(54)	(4)
Total deferred tax charge	66	151
Total credit for the year/period	(1,232)	(193)
Tax reconciliation		
Loss before tax	(6,353)	(1,830)
Tax using the UK corporation tax rate of 19% (15 month period ended 31 March 2022: 19%)	(1,207)	(348)
Expenses not deductible for tax purposes	37	-
Capital allowances super deduction	(23)	(41)
Change in statutory tax rate	35	36
Tax losses not recognised	-	164
Adjustments in respect of prior periods	(74)	(4)
Total tax credit	(1,232)	(193)

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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

9 Intangible fixed assets

	Software £000
Cost	
At 1 April 2022	47
At 31 March 2023	47
Amortisation	
At 1 April 2022	20
Amortisation charged in the year	12
At 31 March 2023	32
Carrying amount	
At 31 March 2022	27
At 31 March 2023	15

10 Tangible fixed assets

	Plant and machinery £000	Office equipment £000	Total £000
Cost			
At 1 April 2022	607	372	979
Additions	464	67	531
Disposals	(19)	(110)	(129)
At 31 March 2023	1,052	329	1,381
Depreciation and impairment			
At 1 April 2022	60	122	182
Depreciation charged in the year	118	72	190
Disposals	(19)	(47)	(66)
At 31 March 2023	159	147	306
Carrying amount			
At 31 March 2022	547	250	797
At 31 March 2023	893	182	1,075

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NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Debtors

	2023 £000	2022 £000
Trade debtors	6,000	2,523
Amounts owed by Group undertakings	4,855	297
Prepayments	548	-
Accrued income	10,829	4,147
Corporation tax debtor	1,603	314
Other debtors	110	133
	23,945	7,414

Management considers that the carrying amount of trade and other debtors approximates their fair value. Trade and other debtors are interest-free.

Amounts owed by Group undertakings are repayable on demand.

12 Creditors

	2023 £000	2022 £000
Amounts falling due within one year:		
Trade creditors	1,276	2,329
Amounts owed to Group undertakings	25,003	6,606
Taxation and social security	350	-
Accruals	4,245	-
Deferred income	125	-
Other creditors	39	298
	31,038	9,233

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

Amounts owed to Group undertakings are repayable on demand. Included within these amounts are £14,250,000 (2022: £nil) relating to interest-bearing loans at 5% per annum (2022 n/a).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

13 Provision for liabilities

	2023	2022
	£000	£000
Deferred tax liabilities	<u>238</u>	<u>172</u>

	2023	2022
	£000	£000
Deferred tax liabilities/(assets) are attributable to the following:		
Accelerated capital allowances	240	185
Short-term timing differences	<u>(2)</u>	<u>(13)</u>
	<u>238</u>	<u>172</u>

Movements in deferred tax were as follows.

	1 April 2022	Recognised in income	31 March 2023
	£000	£000	£000
Accelerated capital allowances	185	55	240
Short-term timing differences	<u>(13)</u>	<u>11</u>	<u>(2)</u>
	<u>172</u>	<u>66</u>	<u>238</u>

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

14 Capital and reserves

Called up share capital

	2023 Number	2022 Number	2023 £000	2022 £000
Ordinary shares of £1 each	1,000	1,000	1	1

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.

Accumulated losses

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

15 Related parties

The Company has taken advantage of the exemption under paragraph 1A of section 33 of FRS 102 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 Parent and ultimate parent undertaking

The Company is a subsidiary undertaking of Mitie Telecoms Ventures Limited, 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.