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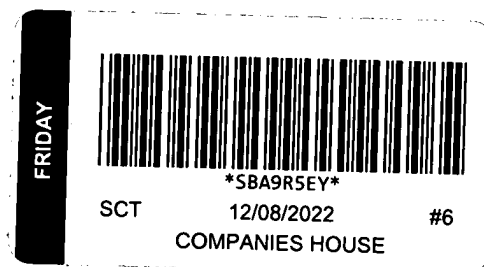
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The Exceptional, Every Day



Mitie Group plc
Annual Report and Accounts 2022



The Exceptional, Every Day

We are one of the UK's leading facilities management companies. Our expertise, care, technology, insight and focus on sustainability create amazing work environments, helping our customers to be exceptional every day.

Strategic report

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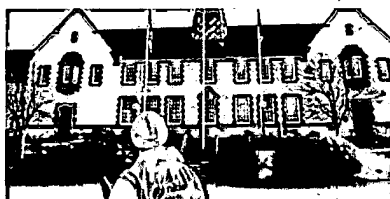
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A strong performance

Thanks to the hard work of our 72,000 colleagues, Mitie has recovered strongly from the pandemic, delivering a record £4bn of revenue in FY22, operating profit of £167m and free cash flow of £133m. The Interserve Facilities Management (Interserve) business is performing strongly under our stewardship and our ability to rapidly mobilise flexible contracts led to strong COVID-related business. Our underlying business performed well in the year, growing 14%.

We delivered a strong financial performance in FY22, with good underlying growth. The Group is now able to leverage its capital base to focus on long-term value creation, accelerating investment in growth and delivering enhanced shareholder returns.

Financial

Revenue including share of joint ventures and associates¹

£3,997m

+58%

FY21: £2,529m

Group revenue¹

£3,903m

+56%

FY21: £2,499m

Operating profit before other items^{1,2,3}

£167m

>100%

FY21: £59m

Operating profit^{1,3}

£72m

>100%

FY21: £4m

Average daily net debt

£25m

-£22m

FY21: £47m

Free cash flow

£133m

+£158m

FY21: £(25)m

➤ Find out more on page 16

Non-Financial

Employee engagement

50%

-5ppt

FY21: 55%

Net Promoter Score⁴

+39

+15

FY21: +24

Females in senior leadership team

24%

+3ppt

FY21: 21%

Carbon emissions (tonnes CO₂e)

20,596

+7%

FY21: 19,205

➤ Find out more on page 18

1. From continuing operations.

2. Other items are as described in Note 4 to the consolidated financial statements.

3. Operating profit includes share of profit after tax from joint ventures and associates.

4. Customer NPS includes legacy Interserve contracts and is calculated as a weighted average. Mitie standalone NPS increased to +51.

At a glance

Our vision

The Exceptional,
Every Day.

Our purpose

Our expertise, care, technology, insight and focus on sustainability create amazing work environments, helping our customers to be exceptional, every day.

What we do

Mitie is one of the UK's leading facilities management companies. Mitie offers a range of services to the public and private sectors including engineering services, energy, security, cleaning and specialist services including custody, landscaping and waste management services.

Our customers

Ranging from banks and retailers, to hospitals, schools and government entities.

#1 in Retail, Logistics and Shopping Centres



#1 in Critical Security Environments



#1 in Corporate and Iconic Buildings



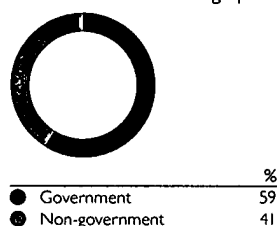
#1 in Transport & Aviation



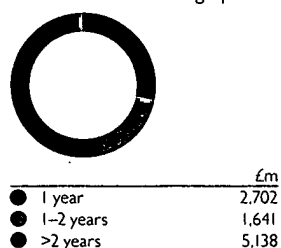
#1 in Manufacturing



Customer type FY22
Revenue from continuing operations



Total forward order book £m
Revenue for continuing operations



Total order book

£9.5bn

Pipeline

£12.1bn

We deliver the exceptional every day through a range of business divisions and services



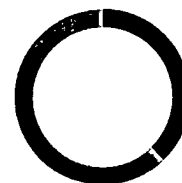
[+ Find out more on page 54](#)

Business Services

We keep some of the UK's biggest companies across a diverse range of sectors (including financial & professional services, manufacturing, telecoms, retail and transport) clean, safe and secure.

- Cleaning
- Security
- Office services

Revenue FY22



£1,522m
38%



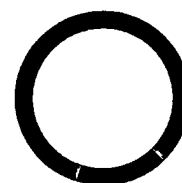
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Central Government & Defence

A market leader in the provision of facilities management services to central government departments in the United Kingdom and Europe, and the Ministry of Defence in the United Kingdom and deployments overseas.

- Cleaning
- Security
- Office services
- Engineering services
- Decarbonisation

Revenue FY22



£669m
17%



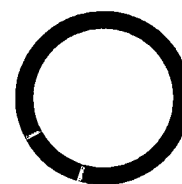
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Communities

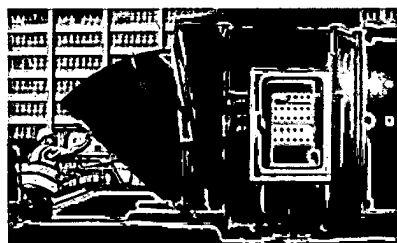
A leading provider of mostly integrated facilities management services to devolved public sector customers, with a focus on community environments in healthcare, schools and universities, emergency services and local authorities.

- Cleaning
- Security
- Catering
- Engineering services
- Decarbonisation
- Portering

Revenue FY22



£460m
12%



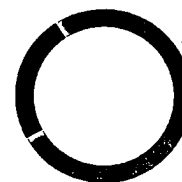
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Technical Services

Provides the full range of key technology backed engineering, maintenance, repair and mechanical and electrical systems project activities, energy, carbon and water management services, air-conditioning/disinfection solutions and digital workplace services.

- Engineering services
- Projects
- Decarbonisation

Revenue FY22



£973m
24%



[+ Find out more on page 58](#)

Specialist Services

Care & Custody

Provides high-quality, critical public services in immigration, criminal justice and secure healthcare.

Landscapes

A top five UK provider of landscaping, focused on both horticultural and winter services.

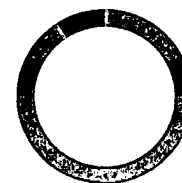
Waste management

A leading national waste management business providing innovative waste reduction and treatment solutions.

Spain

Provides a full range of services to customers throughout Spain from cleaning, catering and security.

Revenue FY22



£373m
9%

Chairman's statement

Moving from strength to strength



Thanks to the hard work of our 72,000 colleagues, Mitie has recovered strongly from the pandemic, delivering a record £4bn of revenue in FY22, operating profit of £167m and free cash flow of £133m.

Derek Mapp
Chairman

Dear Mitie Shareholder,

When I wrote to you last year we were still in the grip of the pandemic, with many restrictions in place and the mass roll-out of vaccinations just mobilising. A year later it is heartening to see that we have weathered the storm and that the worst is behind us. And it is a huge tribute to all the Mitie colleagues who played their part during COVID, ensuring essential services at testing centres, red list hotels, hospitals, schools, supermarkets, transport hubs and critical national infrastructure were maintained. On your behalf I thank them all. Many of these services are now no longer required, but I am proud that we have been able to redeploy many of our colleagues into other roles across Mitie.

It was our ability to respond quickly to the Government's needs and to rapidly train and deploy some 10,000 colleagues, providing logistical support and operational reliability, that has led to a year of significant progress across Mitie with record revenue and profits, in part, as well, due to the success of integrating the Interserve business which we have now owned for a year and a half.

Managing through such significant change is never easy but I was encouraged that over 30,000 colleagues completed our recent 'Upload' survey, telling us what it was really like, working for Mitie. With the rising cost of household bills, pay is always an issue and we have worked hard with our customers to agree better terms, as well as providing additional benefits including 24/7 access to medical support and free Mitie Shares for all our people.

Meanwhile your company has gone from strength to strength.

We have a strong platform for growth; as well as strengthening our position as a supplier to the Government, we have continued to invest in our technology and our decarbonisation offering and we have been rewarded with new contract wins.

Looking forward, we have set out our new strategic priorities and have completed several strategic acquisitions, which will support us to deliver long-term, sustainable value.

Having a strong purpose is essential to the running of our business; it is what drives us forward and guides the decisions we make. Our expertise, care, technology and insight create amazing work environments, helping our customers to be exceptional every day.

But 'how' we do things is just as important as the 'what'.

Environmental, Social and Governance

Environmental, Social and Governance (ESG) initiatives form a key part of our philosophy of the way we do business at Mitie. Our ambition is to be Net Zero carbon by 2025; we are committed to science-based targets to decarbonise our supply chain by 2035, as well as generate increased social value both internally with our colleagues and around the country.

We are evolving our approach to equality, diversity and inclusion (ED&I) throughout the business, leading from the top. This year we welcomed a new Head of ED&I to support our drive to nurture, support and develop our truly diverse and inclusive workforce, ensuring our colleagues broadly represent our customers, suppliers and the communities in which we operate.

And good governance requires that not only do we review our performance, we also seek feedback from all our stakeholders including customers, investors, third-party suppliers and Government Agencies.

Reflecting the growing importance of ESG, I am encouraged that we now include targets relating to ESG in the senior management's long-term incentive plan.

Interserve Facilities Management

Our acquisition of Interserve on 30 November 2020 created one of the UK's largest facilities management companies. We are delighted with its strong contribution in FY22. The renewal and retention rate of former Interserve contracts is 90% as we deploy Mitie's technology, customer service, efficiency and innovation to these customers; and their customer NPS has improved from -18 to +13.

Strategy

In June 2021, we introduced our new strategy, focused on accelerating growth, enhancing margin and improving cash generation, underpinned by 'capability enablers' of the 'Science of Service' (see page 10), creating a 'Great place to work' and leading in ESG & decarbonisation.

I am pleased to report that we have made progress on all fronts.

To accelerate growth, we have acquired seven fast-growing, high-margin companies. Three of those acquisitions enable us to create a market-leading mobile telecoms support services business, providing our customers with end-to-end services. We also focused on expanding our decarbonisation strategy, with the acquisition of a high voltage and electric vehicle charging points installer, a solar canopy installer, and a designer of green (living) walls. We have also enhanced our Intelligent Security offering, acquiring a specialist provider of counter espionage and specialist surveillance services.

Margin enhancement is coming from a variety of initiatives to drive operational efficiency and automate processes. And I was encouraged that we won a number of awards including 'Top Employer' for the fourth year running.

Financial performance

Revenue including joint ventures and associates was £3,997m, an increase of 58% in the year.

Operating profit before other items was £167m, up 184% versus last year.

Earnings per share was 9.2p compared with 3.1p in the previous year.

Board composition

In April 2022, we appointed Chet Patel and Salma Shah as our new Non-Executive Directors, replacing Nivedita Krishnamurthy Bhagat. We feel passionately that a diverse balance of skills and experience on the Board is vital for our strong governance. Chet and Salma have both joined the Remuneration Committee, with Chet also joining the Audit Committee and Salma the Social Value & Responsible Business Committee. Chet's commercial expertise in the B2B service environment, promoting sales and growth strategies, will strengthen the Board's diverse mix of skills and experience; while Salma brings additional public sector expertise, reflecting Mitie's increased public sector focus.

Stakeholder engagement

The Board values every opportunity to engage with our stakeholders. Each year, I meet our major shareholders to discuss Mitie's performance and strategy and I was delighted that we have once more resumed this in person. Over the past year, Jennifer Duvalier has also held numerous 'engaging with our Frontline Heroes' meetings across the country at different client locations.

Annual General Meeting

Mitie intends to hold its Annual General Meeting (AGM) on 26 July 2022 at 11.30am at Level 12, The Shard, 32 London Bridge Street, London SE1 9SG. This is an important event in our corporate calendar, providing an opportunity for our Board to engage with shareholders. Our AGM will be a combined physical and electronic meeting (a hybrid meeting), enabling shareholders to attend the AGM remotely and to vote and ask questions virtually.

Capital allocation & shareholder returns

As the business has recovered well from the COVID pandemic, generating significant free cashflows in FY22, and is making good progress towards the delivery of its margin-accretive growth strategy, the Board has set out a revised medium term capital allocation policy. The policy is focused on investing in bolt-on acquisitions to drive future growth, and increased shareholder returns, whilst maintaining leverage (average net debt/EBITDA) below 1x.

The Board intends to progress steadily towards a dividend pay-out of 30-40% and thereafter deliver long-term dividend growth in line with earnings growth, provided it is supported by cash flow and underlying earnings, and is justified in the context of our capital allocation strategy when taking into account M&A opportunities, and market outlook.

The Board is therefore recommending a final dividend of 1.4 pence per share which, when added to the dividend paid in respect of the first six months of the year, takes the total dividend for FY22 to 1.8 pence per share. The final dividend will be paid on 5 August 2022.

Consistent with the Group's capital allocation strategy and reflecting our good cash flow generation, robust balance sheet and the positive outlook for the business, the Board announced the launch of an initial £50m share buyback programme.

In closing, this is my fifth year as Chairman of your company and it has been our most successful yet. I am proud of the Company's progress during this time. None of this could have been achieved without the professionalism, enthusiasm and care of all our 72,000 colleagues who embody 'The Exceptional, Every Day', and to whom we are immensely grateful.

Derek Mapp
Chairman

DocuSigned by:
Derek Mapp
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Chief Executive's strategic review

Strong performance in FY22 with good underlying growth



Through our investment-led strategy, Mitie has reached an inflection point earlier than anticipated. We delivered a strong financial performance in FY22, with good underlying growth. The Group is now able to leverage its capital base to focus on long-term value creation, accelerating investment in growth and delivering enhanced shareholder returns.

Phil Bentley
Chief Executive Officer

Margin-accretive growth strategy

We announced a new strategy last June which focuses on accelerating growth, enhancing margins, and improving cash generation. Our strategy targets mid-single digit revenue growth, margins of 4.5-5.5%, sustainable free cash flow, and a return on invested capital (ROIC) in excess of 20%, over the medium term.

Mitie's strategy is to be the market leader in its core businesses of Cleaning, Security and Technical Services, deploying industry-leading technology and skills ('Science of Service') in post-COVID workspaces, as the strategic partner of both the public and private sectors, and be recognised as a 'Great Place to Work'.

Accelerated growth

Our priority is to retain and grow existing contracts alongside a focus on winning new contracts. In FY22, we won, renewed, or extended contracts including projects with a total contract value (TCV) of up to £3.8bn.

We have invested in sales during the year, and FY22 represented our most successful year of contract wins (including projects) with up to £2.1bn TCV, including BAE Systems, the Defence Infrastructure Organisation (DIO) (Future Defence Infrastructure Services contract (FDIS) (Scotland & Northern Ireland)), Home Office, Legal & General, FMSP Clyde, Westfield shopping centres, City of Edinburgh Council and Swansea University. We have already won c.£100m TCV in FY23 including Hammerson, Netflix, Poundland and Primark which in total adds £56m of annualised new contract revenue for FY23.

A total of £1.7bn TCV of contracts were renewed or extended in the year, including Co-op, Gibraltar, Heathrow Airport, Marks & Spencer and Department for Transport. Our renewal rate is 90%, which is slightly lower than historical rates due to a small number of contract losses and our decision not to seek the renewal of a number of low margin contracts.

Prior to the acquisition, Interserve's contract renewal rates were significantly lower than Mitie's. It is therefore pleasing that we have renewed or extended 90% of Interserve contracts that have come up for renewal. These renewals are driven by Mitie's technology and innovative solutions, and our improved customer service – reflected in a 31 point improvement in our Interserve customer net promoter score to +13 points (from -18 points).



Since the year end, we have successfully extended the contract for the overseas military bases in Cyprus, Ascension Islands, and the Falklands, continuing our solid track record of renewing former Interserve customer contracts.

As part of the Interserve acquisition, we highlighted the opportunity to insource work contracted to third parties by Interserve. For the full year we have insourced £36.5m of contracts, largely across the waste, landscapes and security service lines.

Our total order book (secured fixed term contract work, variable (including estimated unsecured work) and project work) has increased to £9.5bn (FY21: £9.3bn) driven by new wins across the Central Government & Defence and Technical Services divisions, and renewals in Business Services. The book to bill ratio (the relationship between orders received and revenue recognised) is 105%. The pipeline is

buoyant and includes opportunities from the latest Government framework RM6232, which offers significant opportunities for growth.

Complementing our organic growth initiatives, our strategy also includes expanding our portfolio through infill acquisitions in high growth sectors. In total, £27m was invested in telecoms site acquisition and maintenance, decarbonisation and intelligent security businesses. DAEL Ventures UK was acquired on 5 August 2021, Rock Power Connections on 1 November 2021, Esoteric on 17 November 2021 and Biotecture on 1 February 2022. Since the year end, we have added two further telecoms site acquisition and maintenance companies to the telecoms division, P2ML and 8point8 and we have entered into a Sale & Purchase Agreement (SPA) for Custom Solar, a solar power solutions company. During the year we sold the Document Management business

Our new strategic pillars



Grow Mitie

Winning new customers, retaining and growing existing customers

Investing in higher growth, higher margin M&A opportunities



Margin enhancement

Delivering Interserve synergies

Turnaround loss-making Interserve contracts

Drive operational excellence

Create a new digital supplier platform

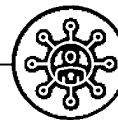
Harness technology efficiencies



Generate cash

Reinvest cash for higher returns for stakeholders

Reward shareholders



Capability enablers

Science of Service

Create a 'Great place to work'

Leading in ESG /decarbonisation

Underpinned by our social value framework



People

We're creating a great place to work and fostering a truly inclusive culture at Mitie. Read more about our people strategy and initiatives on pages 37 to 40.



Environment

We're protecting the environment, improving our own energy efficiency and transitioning to a low carbon economy. A detailed overview of our approach is on page 41.



Community

Read about how we are enriching the community by providing employment opportunities to underrepresented groups and support through volunteering on page 50.



Responsible supply chain

By building a responsible supply chain we can support social enterprise and local delivery, and adopt a circular economy. Find out more on page 51.

Chief Executive's strategic review continued

for £40m. Acquisitions will be funded out of free cash flow or from existing debt facilities, whilst maintaining leverage below 1x average net debt to EBITDA before other items.

Margin enhancement

Margin enhancement is a key focus of our strategy. Our goal is to deliver margins of between 4.5% and 5.5% over the medium term. This will be achieved from the Interserve cost synergies, improving the performance of the handful of Interserve loss-making contracts, a focus on operational excellence to improve contract profitability, savings from automating workflow management and better procurement processes.

In FY22, we delivered £30m of Interserve cost synergies, ahead of our target of £25m due to an earlier than expected reduction in headcount. Overall, 459 roles have been removed, of which 275 were in this period, and three further properties were exited taking the total to 11 properties. The increased scale of the Group has generated a further £5m of procurement savings in the year. With an exit run rate of £40m in FY22, we are on course to achieve our newly revised higher cost synergy target of £45m by the end of FY23.

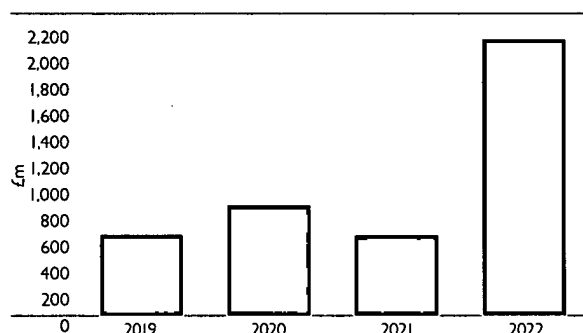
Further margin enhancement will come from improving the performance of the small number of loss-making contracts acquired with Interserve in our Communities division. A new management team was put in place on 1 April 2021 and, utilising expertise from around the Group and externally, good progress has been made improving operational KPIs. This has helped to reduce financial penalties and improve customer NPS. While we have made good progress in FY22, there is still further work to be done to bring these loss-making contracts up to and beyond the 'break-even' point.

Following the success of our operational excellence initiative in the Communities division, we have now extended this initiative more broadly across other parts of the Group in order to eliminate process waste, reduce the Cost of Poor Quality, and minimise workflow variation. Deep dive diagnostics into key contracts have already identified up to £10m of savings over the next two years.

The digital supplier platform went live in several Mitie divisions in the final quarter of FY22, providing the Group with real visibility of where we spend our customers', and our own, money with our supply chain. Through this system we control our purchases using a digital catalogue

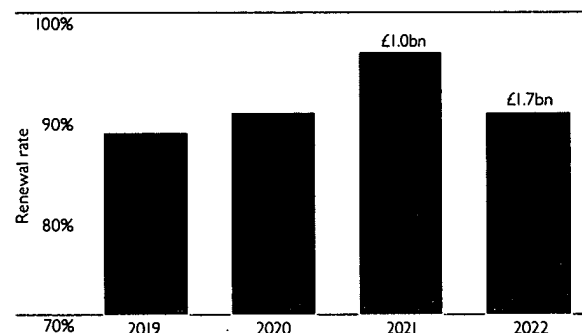


£2.1bn TCV new contract wins*



* Includes secured variable and project work.

£1.7bn TCV contract retentions/extensions



Heathrow

BAE SYSTEMS

PRIMARK

cellnex

UNIBAIL
RODANCO
WESTFIELD

Defence
Infrastructure
Organisation

Superdrug

Sellafield Ltd

Coca-Cola

BBC

NETFLIX

Northwestern

and ensure complete transparency over our £1.4bn of third-party spend. We are targeting £10m of savings over FY23 and FY24. The transparency over our third-party spend also highlights insourcing opportunities in those areas where Mitie delivers equivalent services, such as Landscaping, Waste, Cleaning and Projects.

Workflow automation, which incorporates Workplace Plus and Forté, is expected to release £15m from overhead savings by FY24. Our Workplace Plus scheduling and attendance solution and InTouch mobile app have been rolled out to all of our frontline Cleaning and Security workforce. This brings efficiency in workforce management at scale, allows our employees to access their pay details and shift plans directly from their mobile phones, and enables supervisors to support frontline colleagues working on customer sites with any queries, 24/7.

By successfully consolidating all our finance operations including those from Interserve into Mitie's SAP platform, we are driving further efficiencies in the 'back office' process. A fifth (19%) of our customers' bills are now generated and issued automatically with Forté enabling further automation across billing and financial processing.

Through our industry-leading IBM computer aided FM (CAFM) solutions we now actively manage over one million assets for our customers, allowing us to dynamically schedule our engineers, ensuring they are always in the location where the work needs to be done, with the tools and information they need for the job and, using Forté, linking into the billing and financial processing.

Through our 'big data' solutions we can produce real-time reporting on how buildings and their equipment are performing. This gives us the insights required to drive operational excellence for our customers, as well as providing access to MI via Mitie's award-winning Mozaic software, which has now been rolled out to around 150 customers. Our award winning, AI-driven Aria app and chatbot Esme, which enable customers and their employees to manage their spaces and raise any issues that need resolving through a simple app without a need to contact call centres, are also being rolled out to Mitie customers.

Lastly, additional cost savings are expected to mitigate any inflationary costs which we are not able to pass through to our customers. This is focused particularly on a reduction in spans and layers, and further operational automation related to process efficiency of core functions and outsourcing.

Cash generation

Mitie generated £133m of free cash in FY22 from increased profitability and further improvements in working capital management. During the year £27m was invested in four bolt-on acquisitions in the high growth sectors of telecoms site acquisition and maintenance, decarbonisation and intelligent security, and £5.7m was returned to shareholders through the interim dividend.

Ensuring that we continue to generate good operating cash flows is a key strategic priority, and we have improved working capital efficiency in FY22 by reducing overdue debt and speeding up billing cycles. Robotic process automation solutions for customer billing have helped us to deliver a two-day reduction in our DSO, and automation in our payment process has delivered enhanced accuracy and transparency over supplier payments, ensuring that our suppliers are paid on time.

In addition, we are focused on reducing our non-trading cash outflows. Our priorities are to return capex and other items to more normalised levels, following the integration of Interserve and completion of Project Forté, and to reduce our finance costs following the renegotiation of our financing arrangements, including more recently the planned termination of our invoice discounting facility, and to reduce our cash tax through the utilisation of tax losses acquired with Interserve.

Key acquisitions in FY22

DAEL Ventures

- DAEL Ventures focuses on acquisition, design and construction of mobile telecoms infrastructure
- Mitie Telecoms now provides end-to-end active/passive maintenance
- Telecoms infrastructure sector forecast to grow 5.1% CAGR over next five years
- Annualised revenue expected to double



Rock Power Connections

- Rock focuses on design and installation of new high voltage electricity supplies
- Mitie now offers end-to-end solutions to meet customers' Net Zero goals
- Investment to create core public EV charging infrastructure will be £30bn by 2030
- Annualised revenue expected to double



Esoteric

- Leading Technical Surveillance Counter Measures specialist
- Expands Mitie's intelligence-led security offer
- The only UK company to be accredited by the National Security Inspectorate for providing electronic sweeping and covert investigations



Biotecture

- A leading specialist in designing, building and maintaining 'living walls' for interior and exterior urban landscapes
- Transforms indoor and outdoor urban spaces by improving air quality and biodiversity



Chief Executive's strategic review continued

Capability enablers

Our growth and margin enhancement strategy is underpinned by three capability enablers: the Science of Service, creating a great place to work, and leading the industry in ESG & decarbonisation.

The Science of Service

In the past few years, we have made substantial investments to develop cloud-based platforms which allow us to put technology and data at the centre of all our services to customers. In a post-COVID world, our customers are looking for innovation to promote reassurance and wellbeing in the return to work, to drive productivity, and to prioritise sustainability. Our technology provides this reassurance and innovation, enabling us to win and retain customers.

Our new approach, which is called the 'Science of Service', is powered by technology, driven by data and made exceptional by our people. It is already providing organisations with real-time visibility using remote monitoring of critical assets and building management systems, as well as sensor technology and intelligence gathering.

Our Technical Service Operations Centre (TSOC) which opened in Manchester in December, uses cutting-edge workplace technology to monitor thousands of pieces of equipment remotely, from boilers to lighting systems. It enables teams of specialist engineers

to run diagnostics, adjust settings, and to predict when maintenance is needed. 65% of faults on remotely monitored assets have been fixed directly from the TSOC rather than sending out a technician. Customers are handing over access to their building management systems allowing Mitie to manage their environment. One customer alone has reduced energy consumption by 16% since Mitie began monitoring their sites.

As part of this new approach, in the second half of FY22, we launched 'Mitie Intelligence Services', which is a risk assurance solution that integrates intelligence, technology and people. Our Intelligence Services will support customers to build robust, risk-based security strategies to protect their businesses, both today and into the future. This follows the opening of the Cleaning & Hygiene Centre of Excellence in February 2022, which showcases our demand-led cleaning and chemical free approach, using Merlin sensors, robotics, and other new technologies. Laboratory results from our 'Citrox Protect' anti-COVID product, provide cleaning and hygiene reassurance for our customers.

Creating a 'Great place to work'

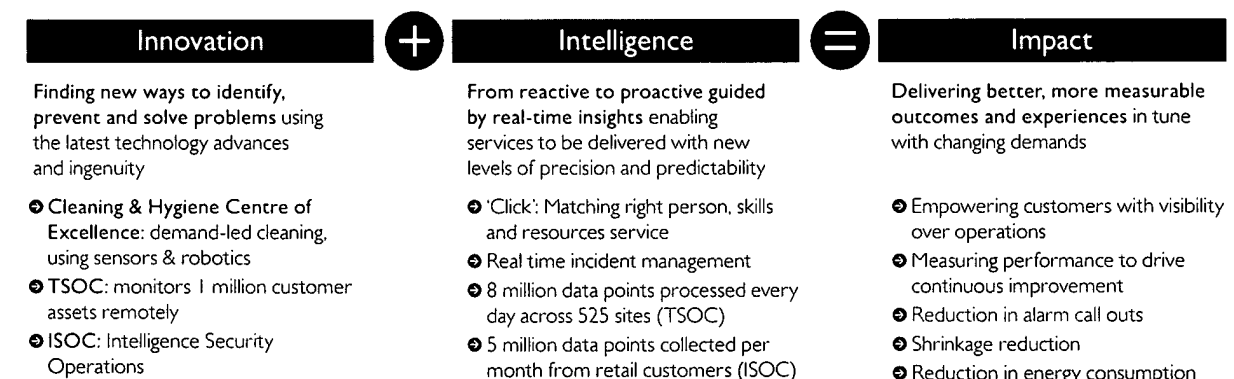
With 72,000 colleagues at Mitie, a key enabler to our strategy is creating a 'Great place to work', and improving the skills and performance of our workforce, to deliver improved customer service, and empower our people to strive to continually improve performance.

Mitie's ambition is to be the destination employer of choice in the facilities management industry. During FY22, we brought together the HR functions of Mitie and Interserve to create a team focused on employee experience, integrating 20,000 former Interserve employees into our systems and ways of working.

We continue to be a market leader in the provision of benefits to our frontline colleagues. We launched new and enhanced benefits in FY22, including a salary advance offering, enabling our colleagues to draw down on the pay that they have earned in advance of payday, and enhanced maternity pay, adding to life assurance and Virtual GP benefits that we introduced in FY21. We have also introduced an improved share incentive plan (SIP), our Mitie Matching Share Plan, through which our people receive a free share for every two that they buy, and will award up to 100 free shares to all our UK colleagues for the second year running.

Finally, listening and responding to colleagues' feedback is a crucial part of our commitment to becoming a 'Great place to work' and our annual Upload Survey showed an increase in participation rates to 47% with an engagement score of 50%. This was a 5ppt decrease compared to last year's survey (which was undertaken during COVID when engagement levels across large organisations saw a positive increase) but ahead of the 46% reported for FY20.

Science of Service – targets growth and higher margins



ESG & decarbonisation

Mitie's ESG strategy has evolved from managing risk to become a driver of growth opportunities. Our decarbonisation offering is focused on reducing carbon emissions across buildings, corporate estates, and fleet, enabling us to focus our skills on a high growth, high margin sector, whilst protecting the planet for future generations. Through engineering design, delivery, and maintenance, underpinned by consulting and advisory support, we are supporting our customers to deliver their Net Zero carbon ambitions.

As part of our strategy to grow our decarbonisation offering we acquired Rock Power Connections, a specialist in the design and installation of new high voltage electric supplies, including EV charging installation, and we have entered into a Sale & Purchase Agreement (SPA) for Custom Solar, a solar power solutions company, specialising in development, design, installation and maintenance of solar systems for corporations and public institutions.

Through our decarbonisation project work we have supported customers to secure substantial public funding, including Essex County Council's £7m grant to install air source heat pumps, solar panels and window upgrades. At the University of Sussex, Southwark Council, University College London Hospitals, Lloyds Bank Group,

Vodafone, and Rolls Royce we delivered major projects to install air source heat pumps, solar panels, LED lighting and building fabric improvements.

We have also won a number of awards, including 'infrastructure project of the year' through Landmarc joint venture, at the Government Opportunities Public Procurement Awards. This was for the Net-Zero Carbon Accommodation Programme (NetCAP), which is transforming the lived experience for the Armed Forces using the UK Defence Training Estate to train whilst supporting the Ministry of Defence with its Net Zero carbon goals.

Leveraging the Interserve acquisition

The operational integration of Interserve is complete. We have identified a further £3m of cost synergies taking the new total to £45m by the end of FY23 and we are making good progress towards our revenue synergies target of £100m.

Our market-leading technology has been instrumental in renewing 90% of Interserve contracts and our ongoing investment in customer service has helped to significantly improve Interserve's NPS from -18 to +13, although with more work to do to get towards the +51 Mitie customer NPS.

We have prioritised the roll-out of Mitie's customer facing technology to Interserve customers, with the Mozaic MI dashboard now up and running for 13 customers, and a further seven in progress. Aria, the workplace app, is now live or 'in delivery' with several Interserve customers, with over 5,000 users able to place service requests and manage their workspaces through automated booking. The roll-out of other Connected Workspace products such as Digital WorkPlace, Digital Maintenance, and UVC cleaning are in progress for another 12 of our strategic customers.

All former Interserve employees are now migrated to Mitie's HR and payroll systems. We have rolled out Learning Hub licences, and access to our e-learning content, and have made apprenticeships available to 20,000 former Interserve colleagues. In addition, all former Interserve colleagues receive the enhanced Mitie benefits package, including free shares, life assurance and salary advances.

We now have a cohesive organisation and are embedding the Mitie culture and values across the entire workforce to provide a market-leading service to our customers.

Our key decarbonisation offers**Decarbonisation pathway**

An assessment of an organisation's required interventions to achieve Net Zero, through identification, scoping and pricing of decarbonisation projects

**Turnkey EV charging hubs**

End-to-end delivery of EV charging installations, from point of connection at the grid, to install and commissioning of chargers to ongoing asset and site maintenance

**Commercial rooftop solar PV**

Full turnkey delivery of commercial rooftop solar PV solutions, targeted and optimised to an organisation's estate portfolio and paid through a fixed £/kWh fee or capital purchase

**Consumption optimisation**

Breadth of solutions and initiatives to implement projects to deliver energy efficiency across a portfolio of assets to drive down opex and support environmental targets

**Building Zero**

A whole building decarbonisation service, providing an end-to-end solution to fully decarbonise a building through multiple initiatives and projects, packaged into a single service

Chief Executive's strategic review continued

Rapid response, flexible contracts for Government

We have been at the forefront of the Government's strategic response to COVID, standing up almost 300 COVID testing centres at short notice, rapidly mobilising 10,000 people across the UK and supporting the testing of 12m people. We trained 4,000 people to conduct 10,000 'Amber list' checks per day, and recruited 1,500 employees to manage security at 70 'Red list' hotels.

In addition, we mobilised 1,000 people to provide support at 84 hotels for Afghan refugees, and mobilised a significant contract to provide security for UK ports post-Brexit.

Financial performance

Revenue

Revenue including share of joint ventures and associates, from continuing operations, and including the contribution from Interserve, was £3,997m, an increase of 58% compared with the same period last year (FY21: £2,529m). This strong performance has been driven by public sector wins in Business Services and Central Government & Defence (CG&D), including rapidly mobilising short-term contracts as well as longer term (7+3 year) contracts, such as the Future Defence Infrastructure Services contract (FDIS) for Scotland and Northern Ireland. Project works have increased significantly in FY22, notably in CG&D, and whilst Technical Services remains the division most significantly impacted by COVID due to a reduction in variable works, revenues from higher margin variable and project works have improved in the second half of the year. Excluding the revenue contribution from Interserve of £1,359m (FY21: £450m for four months) and the £448m from short-term COVID-related contracts (FY21: £155m), revenue growth in the underlying business in FY22 was 14%.

Operating profit

Operating profit before other items, from continuing operations, was £167m in FY22, 184% ahead of the prior year (FY21: £59m), with margins of 4.2% (FY21: 2.3%). Excluding COVID-related contracts, the operating profit margin before other items from continuing operations for FY22 was 3.0%. This improvement reflects the strong revenue performance, cost saving initiatives, including £30m of Interserve cost synergies, and £59.6m of profit from the short-term COVID-related contracts, where the rapid mobilisation and flexibility requirements of the customer attracted higher margins.

Cash flow and balance sheet

Mitie has delivered free cash flow of £133m in FY22, as a result of the good operating profits and another good working capital performance. We invested £27m in acquisitions in FY22, received £40m of proceeds from disposals, bought 22.9m shares for the Employee Benefit Trust and £5.7m was returned to shareholders via the interim dividend.

Average daily net debt has improved to £25m (FY21: £47m). The FY21 average daily net debt included £91m benefit of deferring payments under HMRC's Time to Pay (TTP) scheme, which was repaid in H2 FY21. Closing net cash was £27m (FY21: £87m net debt).

Following the refinancing announced at the half year and the cash flow generated during the year, we now have a balance sheet which is strong, stable and flexible, to support future growth opportunities and increase returns to shareholders.

Inflation

As discussed in November 2021, 80%-90% of our contracts contain change of law and/or inflation clauses, enabling us to pass on the majority of inflation cost increases through to our customers.

With labour cost inflation currently below headline market inflation rates, and with good contractual protection against inflation, to date, we have seen little impact to the bottom line from either labour or material cost inflation. We have encountered cost inflation 'hot spots' across the business, where the cost of materials or specific areas of the labour market have increased at accelerated rates. We remain confident with our previous guidance of an inflationary impact to the business of no more than £10-20m in FY23 which we will mitigate with our programme of cost savings.

Outlook

The current year has started well, with significant contract wins from Poundland, Netflix and Primark as well as renewals/extensions from our MOD contracts in Cyprus, Ascension Islands, and the Falklands. This new business momentum, together with a full year's contribution from significant contracts won last year including FDIS and BAE Systems and the uptick in projects and variable works (as our customers see higher utilisation rates across their buildings), gives us confidence in our growth outlook.

The impact of inflation on our business continues to be well managed and we will see further benefit this year from our margin enhancement initiatives. As a result, in FY23, after excluding the £448m COVID-related contract work that was delivered in FY22, we expect to deliver mid to high single digit revenue growth, together with good operating margin progress.

Reasons to invest

Mitie is one of the UK's leading facilities management companies, differentiated by our cloud-based 'Property Technology' customer offering.

Our margin-accretive growth strategy is focused on delivering mid-single digit revenue growth – outperforming the market; driving operating margins towards 4.5–5.5%; delivering sustainable free cash flow; and delivering a Return on Invested Capital in excess of 20%.

1

Scale, diversification and market leadership

- One of the largest providers of facilities management in the UK
- Diversified across sectors and service lines including UK Government, retail, manufacturing, telecoms, transport and logistics sectors
- Market leader in cleaning and hygiene services, security and technical services

2

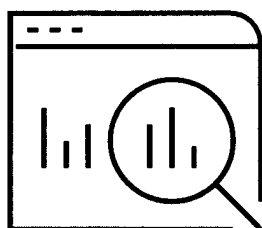
Differentiated technology offering

- Unique cloud-based proprietary technology differentiates our customer offering and drives adoption, loyalty and retention
- Customers get real-time visibility of works on their site, automated service requests and asset performance
- Leading customer satisfaction scores (+39 NPS)

3

Sustainable revenue growth

- Targeting mid-single digit revenue growth ahead of low-single digit market growth
- Winning new contracts to increase market share, retaining and growing existing contracts
- Reshaping our portfolio towards higher growth, higher margin businesses through bolt-on acquisitions across Telecoms Services, Decarbonisation and Intelligent Security



Find out more
mitie.com/investors

4

Driving margin expansion to 4.5–5.5%

- Driving cost synergies from the integration of Interserve
- Focus on contract profitability by delivering operational excellence
- Creation of a lean overhead structure
- Transformation of our strategic supply chain management

5

Strong, flexible balance sheet

- Average daily net debt of £25m with zero covenant leverage, free cash flow of £133m
- BBB Investment grade credit rating
- Long-term funding with a balanced maturity profile: a 4 year £150m RCF and forward-starting £120m US Private Placement notes maturing in 8, 10 and 12 years

6

Making a positive and lasting impact on society

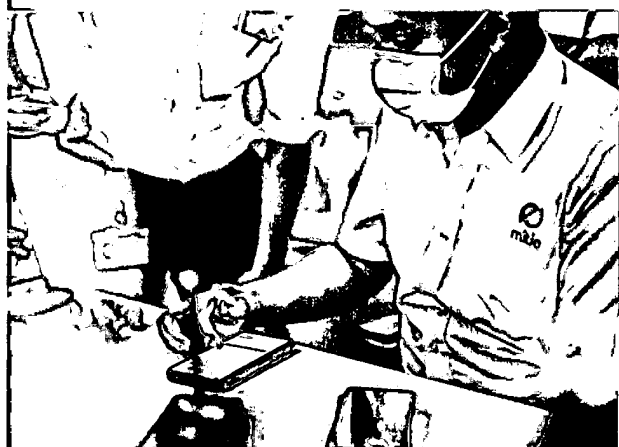
- Industry-leading, ambitious targets set across all areas of social value
- We are creating a 'Great place to work', prioritising the wellbeing of our people
- Developing a skilled workforce to support a brighter future for all
- Target set to be Net Zero carbon by 2025

7

Attractive shareholder returns

- Focus on delivering sustainable free cash flow and return on invested capital in excess of 20%
- Progressive dividend policy and share buybacks
- Investment in M&A to drive future earnings growth

Digital transformation in healthcare



700

Our team of cleaners, porters, catering assistants and ward hosts at John Radcliffe Hospital totals 700

50%

Estimated cut in time taken to do urgent cleans thanks to new technology

£92.5m

Value of Mitie's contract with John Radcliffe Hospital, over five years

How we're keeping John Radcliffe Hospital running safely

The John Radcliffe Hospital in Oxford was looking for an innovative facilities management partner that could deliver real value and increase efficiencies. In 2021, we won a new contract to provide cleaning, portering services and catering for patients and staff. The future of healthcare is evolving rapidly with advances in digital healthcare technologies. Mitie's approach combines a human touch with technology to facilitate an earnest, empathetic and efficient service.

Our 700-strong team of cleaners, porters, catering assistants and ward hosts now play a vital role in ensuring that the hospital's acute medical and surgical, trauma and intensive care services are able to keep running, and support patients and clinical staff. The contract is worth £92.5m over five years, and has the option to extend for up to 15 years.

Embracing intelligent healthcare

Key to winning the bid was our technology-led approach. We're introducing new systems across all John Radcliffe Hospital's services, including cutting-edge task scheduling, prioritisation and indoor location monitoring software. For jobs such as patient transfers or urgent cleaning, clinical teams can now alert the closest available Mitie colleague. This will help efficiently manage clinical staff's time and tasks, improving the overall patient experience at the hospital.

Clever robot and sensor technology

We're also installing sensor technology to monitor footfall, ensuring that the busiest parts of the hospital are prioritised for cleaning, as well as introducing autonomous scrubber-dryer robots. This innovation frees up the team's time to focus on specialist tasks such as sanitising high touchpoint areas. Our catering team is introducing an electronic meal ordering system to ensure only the correct number of meals are prepared each day, helping to cut food waste.

[Link to strategy](#)

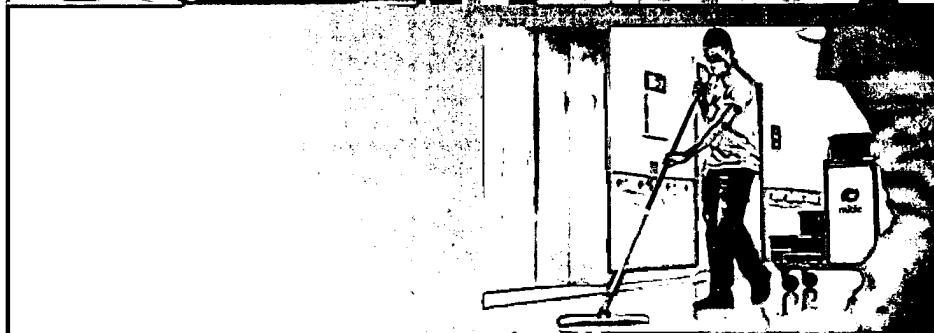


Capability enablers – Science of Service



Mitie's collaborative approach to working in partnership with its customers is very much aligned with how we deliver our fundamental activities of patient care, teaching and research. Together, we're working effectively to deliver the Oxford University Hospital NHS Foundation Trust's vision to be at the heart of a sustainable and outstanding, innovative, academic health science system.

Mark Harrison,
PFI Programme Director, Oxford University
Hospitals



Key performance indicators

Monitoring our progress

Mitie's key performance indicators (KPIs) are reviewed by the Board and Executive Committee to monitor performance against the Group's most important priorities. These include measures for evaluating financial and non-financial performance, balancing the interests of all our stakeholders including customers, shareholders, colleagues and our local community.

The FY22 results include a full 12 months of Interserve Facilities Management (Interserve) while the FY21 results include the four month period from 1 December 2020 to 31 March 2021. In addition, the COVID-19 pandemic impacted our financial performance in FY21; however, the Rights Issue in July 2020 and the acquisition of Interserve on 30 November 2020 have improved all KPIs linked to measuring our financial stability. A detailed review of performance can be found within the Chief Executive's strategic review and the Finance review sections on pages 6 to 12 and 59 to 63.

 Linked to remuneration

Linked to our strategic pillars



Grow
Mitie



Margin
enhancement



Generate
cash



Capability
enablers

Financial

Revenue (£m)

From continuing operations



58%

increase from
previous year

FY22	3,996.8
FY21	2,528.8
FY20	2,103.2
FY19	2,016.7
FY18	1,830.2

Description

Revenue growth from continuing operations reflects the health of the order book, the ability to upsell and cross-sell, and our contract win and retention rates, alongside Mitie's broader reputation in the sector. As the world recovers from the global pandemic, Mitie's goal is to achieve mid-single digit revenue growth from its continuing operations over the medium term.

Our achievement

Revenue of £3,997m is 58% ahead of the prior year due to a full 12 months of Interserve (prior year only included four months) and COVID-related contract revenues. Excluding these, revenue growth is 14%.

[Find out more on page 59](#)

Basic EPS before other items (p)

From continuing operations



FY22	9.2
FY21	3.1
FY20	7.3
FY19	7.6
FY18	6.2

197%

increase from
previous year

Description

Basic earnings per share (EPS) before other items represents the profitability of the Group. Improving EPS reflects the improving profitability of the Group. The strategy focuses on creating value for shareholders and is expected to improve EPS in the medium term.

A reconciliation of basic EPS before other items to the equivalent statutory measure for FY22 and FY21 is provided in Appendix – Alternative Performance Measures on pages 220 to 223. EPS for FY20 and earlier years has been restated for the bonus element of the 2020 Rights Issue.

Our achievement

Basic EPS before other items has increased significantly as a result of the significantly stronger operating profit and a lower effective tax rate.

[Find out more on page 61](#)

Return on invested capital (%)

From continuing operations (ROIC)



FY22	29.9
FY21	8.2
FY20	22.3
FY19	25.0
FY18	22.2

29.9%

FY21 8.2%

Description

Return on invested capital (ROIC) is calculated as operating profit before other items and after tax from continuing operations divided by invested capital and is a measure of how efficiently the Group utilises its invested capital to generate profits.

The calculation of ROIC and a reconciliation of the Group's net assets to invested capital for FY22 and FY21 are provided in Appendix – Alternative Performance Measures on pages 220 to 223.

Note that the ROIC metric used for the purposes of the Enhanced Delivery Plan (EDP) requires further adjustments under the detailed rules agreed with shareholders.

Our achievement

ROIC has increased to 29.9% for the Group due to a combination of the significantly stronger operating profit before other items, the lower effective tax rate and the lower invested capital. The lower invested capital primarily relates to the ongoing improvements to working capital and the reduction in the receivable related to the Interserve completion accounts process.

[Find out more on page 61](#)

Operating profit (£m) and margin (%) before other items

From continuing operations

FY22	£166.9m	4.2%
FY21	£58.8m	2.3%
FY20	£78.1m	3.7%
FY19	£73.1m	3.6%
FY18	£67.6m	3.7%



4.2%

FY21 2.3%

Description

Operating profit and operating profit margin before other items reflect winning quality contracts and delivering efficient, exceptional service. Profitability on contracts improves as the Group enhances the efficiency of operations throughout the life of the contract. Operating margins are expected to move towards 4.5%–5.5% in the medium term.

A reconciliation of operating profit before other items from continuing operations to the equivalent statutory measure for FY22 and FY21 is provided in Appendix – Alternative Performance Measures on pages 220 to 223.

Our achievement

Operating profit of £167m is 184% ahead of the prior year due to the full 12 months of Interserve (prior year only included four months) and the contribution from COVID-related contracts. Margins increased to 4.2% reflecting the mobilisation of rapid-response, flexible COVID-related contracts.

➤ Find out more on page 60

Free cash flow (£m)



FY22	132.8
FY21	(24.5)
FY20	30.5
FY19	30.9
FY18	(31.6)

£157.3m

improvement from previous year

Description

Free cash flow represents how much cash we generate to re-invest in our business for future growth or to deploy in other ways such as acquisitions and rewarding shareholders. The strategy focuses on delivering sustainable free cash flow.

A reconciliation of free cash flow to the equivalent statutory measure for FY22 and FY21 is provided in Appendix – Alternative Performance Measures on pages 220 to 223.

Our achievement

Free cash flow of £133m is significantly ahead of last year due to increased profitability and further improvements in working capital.

➤ Find out more on page 62

Total order book (£m)

Including retentions and new wins

FY22	9,481
FY21	9,285



2%

increase from previous year

Description

Total order book includes secured fixed term contract work, variable (including estimated unsecured work) and project work. The total order book reflects Mitie's success at winning new customers and additional services, retaining customers and upselling. Improved customer service, increasing market share, alongside qualifications on public sector frameworks, are expected to lead to increases in the total order book in the medium term.

See Note 3 to the consolidated financial statements for analysis of the secured order book. The secured order book includes only secured fixed term contracted work and excludes variable and project work.

Our achievement

The total order book increased by 2% to £9.5bn driven by new wins across the Central Government & Defence and Technical Services divisions.

➤ Find out more on page 6

Average daily net debt (£m) and leverage ratio (x)



Post IFRS 16

FY22	£24.7m	0.1x
FY21	£47.1m	0.5x
FY20	£327.6m	2.7x

£22.4m

improvement from previous year

Description

Average daily net debt (calculated on a post IFRS16 basis) reflects how much we owe our debt providers, and how well we have managed our debt over the course of the year. The leverage ratio is calculated as average daily net debt divided by EBITDA before other items on continuing operations. We aim to maintain average daily net debt at a leverage ratio of no greater than 1x, through generating cash, working capital discipline and appropriate shareholders returns.

Data is not presented for FY19 and FY18 as the financials for these years were prepared on a pre-IFRS 16 basis.

Our achievement

Average daily net debt has improved to £24.7m (FY21: £47.1m). The FY21 average daily net debt included £91m benefit of deferring payments under HMRC's Time to Pay (TTP) scheme, which was repaid in H2 FY21.

➤ Find out more on page 63

Key performance indicators continued

Non-Financial

Females in senior leadership team (%)

FY22		24%
FY21		21%
FY20		18%



3ppt

improvement from previous year

Description

Mitie measures the number of females in the senior leadership team against the total headcount of the senior leadership team. The senior leadership team includes the MGX (Executive Committee) and those on the MLT (Mitie Leadership Team).

Our achievement

In FY22 we have increased the number of females in the senior leadership team to 24%.

[Find out more on page 38](#)

Employee engagement (%)

FY22		50%
FY21		55%
FY20		46%
FY19		45%
FY18		33%



50%

5ppts lower than previous year

Description

The Group's success is underpinned by the way Mitie leads and engages with its people. The employee engagement (Upload) survey asks colleagues at Mitie how they feel about working within the organisation, and what improvements could be made. This is followed by the 'You Said, We Did' campaign to demonstrate actions undertaken in response to feedback. Beyond the annual survey, senior management meet employees throughout the year at roadshow conferences across the UK and members of the senior leadership team engage with frontline colleagues.

Our achievement

The Upload survey took place from April to May 2022. This year the participation rate rose positively by 7% to 47%, compared with last year, with over 30,000 colleagues taking part. The employee engagement score was 50%, which was a 5% decrease compared to last year's survey. This aligns to global trends where large organisations saw a positive increase in engagement during the COVID-19 pandemic, followed by a fall this year in engagement levels post pandemic. Engagement levels have risen overall since FY18, when the engagement level was 33%.

[Find out more on page 37](#)

Employee turnover



FY22		19%
FY21		12%
FY20		16%
FY19		20%
FY18		17%

7ppt

increase from previous year

Description

Mitie measures the number of employees leaving us voluntarily over a 12-month period against our overall headcount. Voluntary attrition has been a focus area for a number of years as we strive to become the 'Employer of Choice' in the Facilities Management industry.

The data for FY21 and earlier is for Mitie prior to the acquisition of Interserve.

Our achievement

During FY22 across the UK there was a greater trend towards employees leaving than seen in previous years. Mitie saw this too with employee turnover increasing to 19%, which was only a little higher than pre-COVID levels of 16%. This was helped by our great benefits package including Virtual GP access for all colleagues and those in their household, life assurance for all colleagues and salary advance (the ability for our people to access their pay before payday).

[Find out more on page 31](#)

Lost time injury frequency rate

Per million hours worked



FY22		3.55
FY21		2.85
FY20		3.94
FY19		6.08
FY18		6.13

0.7

increase from previous year

Description

Mitie's efforts to keep its people safe are of great importance and Mitie continues to focus on improving safety performance. Our overriding objective is to make Mitie the safest place to work in the facilities management industry, because we care, value and protect our people, the environment and society.

Our injury rate is just one measure to monitor our progress towards zero harm and includes all injury severities.

Our achievement

Mitie's commitment to ensuring near misses and hazardous conditions are reported has helped lower the number of injuries. It means potential accidents are caught before things escalate, enabling risks to be mitigated. As we returned to operations post-COVID we expected to see an increase in our injury frequency rates however the FY22 score remains below that of the last pre-COVID score of 3.94 in FY20.

[Find out more on page 71](#)

Net Promoter Score (index)

Rebased to include Interserve



FY22		+39
FY21		+24

15pt
improvement

Description

Customer Net Promoter Score (NPS) continues to be an important metric for Mitie in understanding a customer's overall satisfaction with the quality of services provided and a willingness to recommend our products and services to others.

This year, Interserve customers were included in the survey with the overall score weighted by business revenue contribution. The survey captures feedback from 1,161 customers.

Our achievement

Mitie's overall NPS score for FY22 is +39, an improvement from the revenue weighted +24 rebased score determined for FY21. This score reflects an increased NPS from Mitie 'SAM' customers to +60 while the Interserve customer NPS score has improved from -18 to +13.

[+ Find out more on page 30](#)

Carbon emissions (Scope 1 & 2) (tonnes CO₂e)



FY22		20,596
FY21		19,205
FY20		27,072
FY19		28,912

7%
increase from
previous year

Description

In February 2020, Mitie set an ambitious, industry-leading pledge to reach Net Zero operational carbon emissions by the end of the calendar year 2025 – a full 25 years ahead of the UK Government's 2050 target. Mitie will eliminate carbon emissions from power and transport, eradicate non-sustainable waste and enhance inefficient buildings to meet the highest environmental standards.

Our achievement

Mitie's Scope 1 and 2 carbon emissions have increased 7% in FY22 as building occupancy recovers towards pre-COVID levels and we incorporate the Interserve estate (approximately one third of our activities) into our portfolio. When comparing to FY20, emissions have declined.

All Mitie buildings, accounting for 50 sites, have been optimised, identifying an annual carbon saving of 111 tonnes, with some newly acquired buildings now being surveyed to start this process. Mitie's electric fleet continues to develop, with 2,217 electric vehicles (EVs) on the road as at 31 March 2022 and more than 2,000 EV charge points installed, making Mitie the largest pure electric fleet in the UK based on publicly available information. All electricity that Mitie buys for its operated sites is 100% renewable.

[+ Find out more on page 41](#)



Department
for Work &
Pensions

Supporting a vital role in a time of national crisis



600,000

masks provided to the DWP during 2021

8,000

additional cleaning hours per day provided by Mitie in 2021

860

DWP sites where Mitie now provides facilities management services

Creating a safe space for critical services

As a key provider to our local communities, the Department for Work and Pensions (DWP) was committed to keeping the UK running throughout the COVID-19 pandemic. It was determined to operate business as usual, from processing benefits and furlough payments, to supporting vulnerable people with internet access. But the impact of COVID meant that the demands for DWP services soared, and it needed to extend its opening hours and open more sites to meet public demand.

Sealing up our work to meet exceptional demand

Despite the pandemic, Mitie recruited 2,500 additional full-time cleaners to undertake additional touch point cleaning, full deep cleans and other facilities management services for the DWP – a vital role that meant the DWP could continue offering its services in a COVID safe environment. In addition, we supported the safety and hygiene of the DWP's staff and provided PPE (600,000 masks, 200,000 pairs of gloves) and hand sanitisers (500,000 bottles). Initially working in 502 buildings, we now work across 860 of the DWP's public-facing buildings, providing full facilities management services.

Going above and beyond in challenging times

To deal with the rising challenges of COVID-19 and its longer-term impact on society, the Government decided to open an additional 100 new DWP sites within just 12 months in 2021. Mitie was asked to provide a full facilities management provision under our Rapid Estate Expansion Programme. Since the COVID-19 restrictions have ended, we've continued to provide both touch point cleaning and business-as-usual cleaning services.

[Link to strategy](#)



Capability enablers – Science of Service



Special thanks to Mitie for increased cleaning, provision of hand gel, sanitiser and wipes. It's undertaking a vital role in keeping our workplaces safe, protecting our colleagues and supporting our customers.

DWP Permanent Secretary

Thank you Mitie, for your fantastic support during these extremely unprecedented times. Your response, proactivity and flexibility has been absolutely first class and recognised and appreciated throughout the Department.

Craig Butler,
Head of Service Delivery, DWP Estates

Our market drivers

As we move into a world that learns to live with COVID-19, we are seeing a shift in demand for facilities management services in the UK. There is an increasing focus on technology, service and user experience, especially in the context of hybrid working patterns, together with elevated emphasis on decarbonisation and sustainability, which provide plenty of opportunities for Mitie.

In 2021, the UK facilities management market recovered after the 13% decline recorded in 2020 when the COVID pandemic impacted the UK. All sectors continued to suffer from lockdown restrictions, with a particular slowdown in construction and real estate, manufacturing and retail. Other sectors such as ICT and e-commerce, banking, financial services and energy, fared better.

The UK unemployment rate was 4.2% in 2021, with reduced spending on facilities due to continued working from home and the increase in hybrid working. Ongoing supply chain disruption, as suppliers struggled to meet changes in demand and lockdowns impeded supplies, also affected costs.

Adopting digital technology for next generation service

The UK facilities management market is predicted to fully rebound in 2022 with steady growth of 3% and is forecast by Mintel to reach £89bn by 2025. Growth drivers include the reopening of facilities, accelerating digitisation and investment in critical infrastructure. The nature of service requirements has evolved, with sustainable workplaces and healthy buildings taking centre stage. We also continue to see more emphasis on employee wellbeing and sustainability.

The facilities management industry is undergoing major structural change, as providers shift from problem solving to offering positive outcomes – with an increasing focus on technology and user experience. Facilities management providers are evolving from a total cost of ownership (TCO) model, to customer-centric, service-based business models, enabled by digital technology and the Internet of Things.

At Mitie, we are investing to create innovative and intelligent cloud-based platforms to keep infrastructure running; to make spaces flex to changing needs; to keep people safe; and to make them more productive.

Profound changes in the structure of work

The increase in working from home and hybrid approach to working has reduced the need for office occupancy. The UK's back-to-work initiatives have focused on safe transition within a safe working environment. While Mitie's exposure to traditional office workspaces isn't significant, this new way of working has increased the need for general cleaning and hygiene services, and requirements for higher cleaning standards and sanitation will remain critical, together with an increased focus on indoor air quality products and services. We forecast an uplift in demand for higher-margin cleaning services, such as specialised cleaning, and technology-led solutions, including robotics.

Opportunities for Mitie

Our strategy is focused on growing Mitie by winning market share, evidencing our differentiation through our technology and our exceptional people and expanding our portfolio through infill acquisitions in high-growth sectors of telecoms, decarbonisation, intelligent security and sustainability, where we can generate a market-leading position to offer our customers end-to-end services.

Our acquisition of Interserve in 2020 enhanced our presence in the public sector – defence, central government, healthcare and education – all resilient sectors where we believe we have significant growth potential. We have also strengthened our private sector focus in retail, manufacturing, telecoms and transport & logistics.

Facilities management in the UK remains a sector that never sleeps, as befits its scale, and its leading role in keeping Workspaces Working, embracing the digital transformation of the sector.

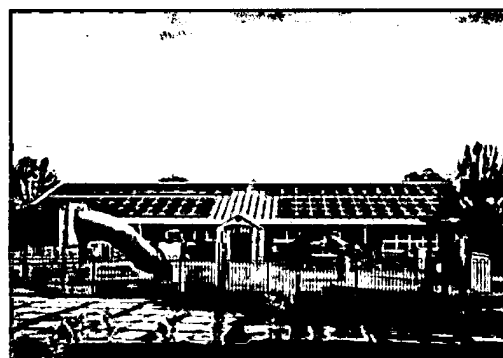
Phil Bentley, CEO

Delivering sustainable impact

Decarbonisation is becoming a priority for all sectors of the economy. Facilities management companies are diversifying when it comes to sustainability and many have started to specialise; from offering design and technical solutions related to Net Zero to developing sustainability consultancy services. Environmental, Social and Governance (ESG) initiatives form a key part of the philosophy of the way we do business. Our target is to be Net Zero carbon by 2025 and to generate increased social value. We are also working with our customers to help them meet their own Net Zero targets through our customer proposition of Do, Lead, Deliver.

Decarbonisation as a service line is forecast to grow to a £5.9bn market in 2025, driven by sustainability and decarbonisation mega-trends.

- ➊ The UK Government has legislated to cut total UK emissions by 78% compared to 1990 levels by 2035, and for the UK to be Net Zero by 2050. The decarbonisation of the UK energy system will require c.£83bn of investment by 2030, and Ofgem has announced over £40bn investment into energy infrastructure and the smart grid in the period 2021–2026. Energy management and carbon reduction are now business critical for all businesses
- ➋ Public sector decarbonisation is being backed by significant government investment, including the Public Sector Decarbonisation Scheme.
- ➌ We are meeting increased client demand for decarbonisation expertise by providing consulting and advisory services, sales and engineering design; funding options; decarbonisation data and technology solutions; and partnering with sustainable suppliers



➦ Find out more on page 41

Market leadership across service lines

Following the acquisition of Interserve in 2020, Mitie has continued to operate across its three key service lines (cleaning, security and technical services) alongside the two former Interserve divisions of Central Government & Defence and Communities (Healthcare, Education and Critical Services) which offer our three key

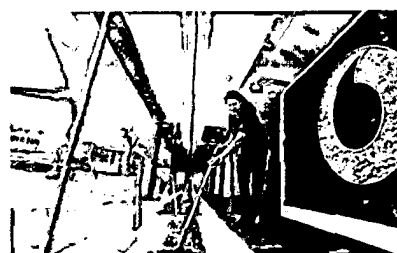
service lines of cleaning, security and technical services alongside additional services, including portering and catering in hospitals.

Mitie has market leadership positions across Cleaning, Security and Technical Services as well as providing specialist services such as

Waste, Landscapes and Care & Custody with a growing presence across key sectors such as Central Government & Defence, Healthcare, Education and Telecoms.

Cleaning & Hygiene Services

- ➊ Mitie is a leading cleaning provider in the UK, with more than 15,000 colleagues
- ➋ We provide cleaning and hygiene services to hospitals, schools and leading retailers such as Co-op, Sainsbury's and AS Watson
- ➌ Post COVID-19, there's an increased customer emphasis on assurance, service quality and flexibility, specialist cleaning and sustainability
- ➍ We are focusing on reducing the environmental impact of cleaning, and using advanced technologies and products to meet increased standards in cleaning and hygiene



Security

- ➊ Mitie Security is the UK's leading intelligence and technology-led security business. We are a market leader in retail, logistics and shopping centres; critical security environments, including critical national infrastructure, government and public sector; transport and logistics; and corporate and iconic buildings
- ➋ We are working with existing and prospective customers on technological developments and developing our services to match their requirements, introducing cutting edge technology such as AI CCTV and facial recognition
- ➌ In 2021, we introduced an industry-first Data-Sharing Agreement, allowing retailers to share data on shoplifters, helping to tackle prolific offenders and organised crime groups more effectively



Technical Services

- ➊ This is the largest market within facilities management, covering mechanical and engineering services
- ➋ Mitie is a market leader in 'hard services' and technology services enabled solutions
- ➌ Market drivers include the rapid growth of the telecoms sector and decarbonisation
- ➍ Remote monitoring of assets including environment (air-conditioning, temperature control) and usage (desks, meeting rooms)
- ➎ We are expanding into sectors showing significant growth such as larger scale energy projects and mobile telecoms, adding to our existing capabilities through targeted acquisitions



Digital transformation in facilities management

Digital transformation in facilities management, or 'Prop Tech' is accelerating as technology is being adopted as an enabler, supporting the return to work and the digitisation of buildings and workflow. Employee support, safety and productivity are emerging as the focus of technology innovation. For critical building systems we are adopting the Internet of Things and cloud-based remote services as part of our core offering. In Cleaning, we are integrating technology and intelligence to deliver enhanced service, while in Security we are using advanced technology to deliver a more effective service.

- ➊ Find out more on page 14



Our market drivers continued

Alongside our core services, we offer the following complementary services to our customers.

Waste

- Mitie Waste & Environmental Services provides recycling and waste removal services
- The UK waste market is transitioning from simple waste collection to waste reduction and decarbonisation
- Key drivers are sustainable innovations to reduce, re-use and recycle waste streams, increased outsourcing (including municipal council contracts) and a focus on environmental and social responsibilities
- We aim to become the leading waste management and consultancy organisation, providing our customers with a carbon neutral waste solution



Landscapes

- The UK outsourced landscaping market includes horticultural, external cleansing and winter services, and is worth an estimated £4.5bn, largely concentrated in the public sector
- We are one of the largest providers of grounds maintenance and winter services to the commercial and public sectors in the UK. We have more than 800 staff working on 11,500 sites across the country
- The market has consolidated significantly and is benefiting from the increased focus on wellbeing – with clean, safe, green spaces increasingly sought by building owners and occupiers
- With specific requirements for biodiversity improvements as part of the global sustainability drive and legislative changes, the opportunities for Mitie are strong
- Our strategy remains to scale the business with wide-ranging self-delivery capabilities in the public and private sectors. As with our recent acquisition of Biotecture, a leading specialist in Living Walls, we will expand our niche services, especially where this supports Mitie's wider Plan Zero and ESG programme



Care & Custody

- Care & Custody focuses on the three areas of immigration, justice and police
- Mitie provides just over 50% of the secure detention immigration estate and is the leading provider and a strategic partner to the UK Home Office
- We are the leading provider of forensic health and custodial support services across 14 police forces delivering 193,000 medical interventions per annum
- Justice is a new area of focus for Mitie after our recent inclusion in the Prison Operator Service Framework which includes a high value pipeline of opportunities



We have a strong position across public sector procurement following the acquisition of Interserve and have highlighted the market opportunity across Central Government, Defence, Education and Healthcare below. Across the private sector, we have strong positions across aviation, retail, transport and telecoms – our telecoms expertise is highlighted on page 33.

Central Government

- ➊ The UK has one of the strongest markets for public sector outsourcing, with growth to 2025 expected at a slightly higher rate than the private sector
- ➋ Mitie has 3,700 employees working across 30 government departments and agencies at 3,000 locations across the UK and overseas
- ➌ These environments are highly regulated and essential for the Government to operate effectively, requiring outstanding standards of security, cleaning and front of house to ensure that they remain operational
- ➍ Public sector growth is focused on better management of energy and environmental services, and physical assets through technology. Within the public sector, government (including defence) accounts for c.24% of the market, valuing it at c.£3.7bn
- ➎ Market trends include disaggregation and regionalisation of large facilities management contracts to support SME growth, as a policy; consolidation and standardisation across the estate and expansion for government departments whose budgets have been positively affected by the pandemic
- ➏ We're well placed to maintain and expand our position due to our scale and expertise, and our strong collaborations with industry bodies
- ➐ The Government has committed to a 50% carbon reduction by 2032, and Net Zero by 2050, signifying that government departments will need to consider innovative approaches to reducing their carbon footprint. We will ensure a presence on all relevant frameworks to allow us to compete for decarbonisation-related works with existing and new government customers

Defence

- ➊ Mitie has 1,878 employees servicing 12 defence contracts, mostly with the MOD in the UK and overseas
- ➋ Defence is undergoing a period of considerable change. This was captured in the Government's Integrated Review in 2021, and has been accelerated by the events in Ukraine. The implications of the latter are yet to fully play out but an increase in defence spending is likely
- ➌ Encompassing Government, Public Sector and Critical National Infrastructure, we lead in Critical Security Environments, providing services to the public sector including Sellafeld, the Home Office and HMRC
- ➍ We aim to expand our UK and international defence support activities, supporting the armed forces with the Defence Optimisation Estate programme, and through our partnership with PAE (our joint venture partner on the Landmarc contract) across the training estate. We also want to grow our role supporting the wider defence market such as with Babcock and BAE Systems
- ➎ We are also supporting the decarbonisation agenda, helping to tackle Zero Carbon as an advisor and implementer

Healthcare

- ➊ The Healthcare facilities management sector is valued at £4.5 billion per annum and includes NHS acute trusts (85% of the total), mental health trusts, community trusts and ambulance trusts
- ➋ We work with over 40 NHS Trusts, providing services including M&E, catering, cleaning and portering
- ➌ Market trends include the geographical merging of trusts, creating larger organisations and covering both acute and mental health; increasing focus on sustainability and carbon reduction to achieve Net Zero health services; and using technology to improve patient outcomes and efficiency/productivity improvements
- ➍ There is significant opportunity for growth. Mitie Energy and Mitie Communities are partnering to deliver Net Zero carbon projects for customers. We're also developing new routes to market to capitalise on public sector sales growth, and developing strategic relationships with funding partners – including PFI lenders and PFI intermediaries and managers

Education

- ➊ The education market remains stable as commitments from central Government ensure the education and welfare of young and disadvantaged students is a priority. The higher education sector is a relatively immature market valued at approximately £2bn
- ➋ Opportunities are driven by the growing energy and decarbonisation agenda, consolidation of devolved government responsibility and services provided to Multi Academy Trusts which include more than 1,400 schools with a revenue potential of £1bn
- ➌ Universities are increasing their use of outsourcing, often starting with a move into single service cleaning or hard facilities management with trends increasing towards bundled/IFM services





Delivering the future of security



An industry-leading proposition underpinned by intelligence, technology and people

Our new Mitie Intelligence Services group combines three of our best-in-class businesses to create an integrated, industry-leading security proposition providing actionable intelligence and innovative technology solutions, which positively impact our customers' security decision-making, allowing them to make more informed decisions and be more agile in their approach to protecting their people, assets and environments. Underpinned by the three pillars of intelligence, technology and people, this is our 'Science of Service' in action.

Bringing together our Intelligence Hub (formerly CSOC), Intelligence Technology (Merlin proprietary Mitie software) and recently acquired specialist Esoteric division, we can effectively assess our customers' unique risk profiles, analysing the resulting insight to evaluate and mitigate potential threats. Using outcomes to inform the decision-making process, we can support our customers to build a robust, risk-based security strategy to protect their businesses – both today and into the future.

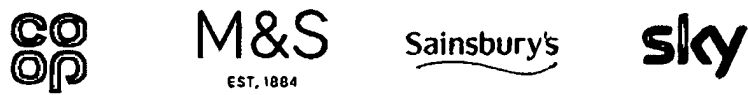
Deep technical expertise, broad sector experience

As the leading intelligence and technology led security business in the UK, we have experts from a range of backgrounds, including the police, military and business crime. We support an extensive range of industries, including Government, Public Sector and Critical National Infrastructure, Retail & Logistics, Transport & Aviation, and sectors at high risk of espionage such as Legal. As threats evolve, we take action to ensure our customers are protected, alongside monitoring emerging legislation such as Protect Duty, to ensure customers always have effective, compliant security solutions.

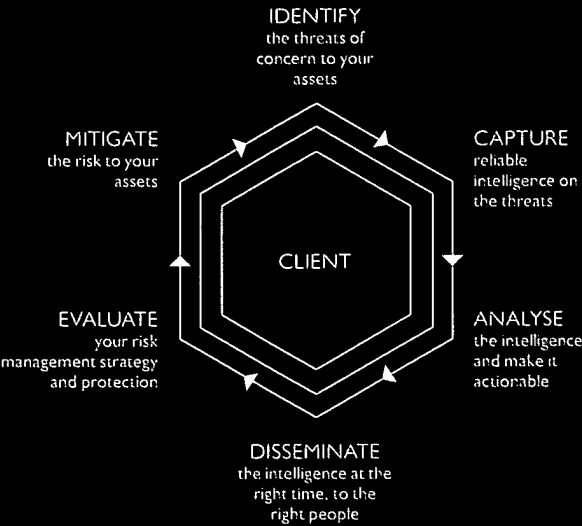
[Link to strategy](#)



Capability enablers – Science of Service



The Science of Service – Mitie's Intelligence Methodology



Our business model

Our customers expect us to deliver exceptional working environments which are welcoming, efficiently operated and safe. Buildings and workspaces are about the people within them, the progress they enable, the environment that surrounds them, and the communities they serve. Our business is focused on how we make things better for our customers: their people, our people and the world we live in.

Our resources and capabilities

Our people

We know that our people give their best when we show them we care. Our success is underpinned by the way Mitie inspires, motivates and engages with its people who in turn take personal pride in our work and deliver exceptional service to our customers.

See page 37

Our technology

Our proprietary market-leading intelligent cloud-based technology platform brings data insight into the heart of our thinking to add value to our processes and interactions, creating compelling and frictionless experiences for our colleagues and customers that in turn drive adoption, loyalty and retention.

See page 10

Our expertise

We are a partner trusted for market leading service and for putting our customers at the heart of our business. We then apply our experience to improve efficiency, provide innovative technology-led solutions and make a valuable, measurable difference.

See page 10

Our scale and reach

We are a UK market leader across Cleaning, Security and Technical Services with sector leadership across Central Government & Defence, retail, manufacturing, transport and logistics. The scale of our operations allows us to self-deliver most services, including some specialist services. Our nationwide reach allows us to service large customers with a presence all over the UK.

See page 22

Our strategy

Our strategy is now firmly focused on margin-accretive growth. We will continue to build our core business and maintain our position as one of the UK's leading facilities management companies but growth will be accelerated through 'Science of Service' as we increasingly leverage our world class, intelligent cloud-based platform and decarbonisation and ESG credentials to deliver higher returns for all our stakeholders.

See page 7

Our commitment to society

Our vision is to make a lasting impact on society by delivering long-term benefits for the environment, developing a skilled workforce to support a brighter future for all and leaving a legacy for the communities in which we work.

See page 36

Our financial position

We have a strong balance sheet and low leverage with an investment grade credit rating. We are focused on delivering sustainable free cash flow to invest in delivering higher returns and improved outcomes for all our stakeholders.

See page 62

What we do

We deliver exceptional service, every day. We provide our customers with integrated facilities management, bundled or single service facilities management, backed by proprietary intelligent technology to improve efficiencies across services and sectors where we are a market leader.



Cleaning & Hygiene Services

Cleaning & Hygiene Services delivers 'assured' cleaning to provide a safe working environment for our customers' employees. Our focus is on specialist cleaning (anti-virus), technical cleaning (robotics, UV cleaning) and general cleaning across offices, buildings, transport and logistics hubs and high-security environments.



Security

Security focuses on intelligent technology-led monitoring solutions alongside manned guarding together with fire and security systems installations.



Technical Services

Technical Services includes the full range of technology-backed engineering, maintenance, repair and M&E project activities, air-conditioning and disinfection solutions, telecoms and energy services. Our expertise includes the provision of remote asset monitoring and digital workplace solutions.



Decarbonisation

Plan Zero from Mitie is our unique end-to-end decarbonisation solution supporting customers to set and deliver their plans to reach Net Zero, reducing carbon emissions and cost.



Landscapes

Landscapes provides horticultural and winter services to private and public sector organisations, alongside solutions to enhance biodiversity and provide sustainable, low carbon services as an integral part of Mitie's Plan Zero programme, including consultancy, re-wilding and living walls.



Waste

Mitie Waste & Environmental Services provides sustainable waste solutions with an innovative focus on waste elimination, reduction, recycling and decarbonisation in support of the circular economy.



Care & Custody

Care & Custody provides high-quality, critical public services in immigration, criminal justice and secure healthcare.

How we do it

Recognising that every customer is different, our approach is tailored to each customer's unique needs and is designed to deliver continual improvements throughout the life of the contract.



Diligence, innovation and design

We start by engaging with a new or existing customer to understand their needs or any changes to requirements. Using our strategic frameworks to help link operational objectives to the bigger picture, we design an innovative solution using our expertise, knowledge and technology.



Mobilisation, transition and transformation

We look to mobilise our contracts in the most efficient way. Once in operation, we are continually looking for opportunities to remove cost, expand our offering where it would be of benefit to customers and become a valued strategic partner.



Insights to drive value and continuous improvement

Using our proprietary technology, collating and analysing data gathered from our data lake, we continually collate information on customers' buildings and assets and the wellbeing of their employees to drive greater value and continuous improvement.

The value we create



Customers

We are a trusted partner for our customers, helping them create exceptional workplaces. See page 30

Customer NPS

+39



Employees

We are creating a 'Great place to work', showing our colleagues that we care. We inspire, motivate and engage with our people, providing industry-leading benefits alongside enhanced training and development to upskill them. See page 31

Employee engagement

50%



Suppliers

We are committed to ensuring a responsible supply chain requiring our suppliers to comply with our Procurement Policy and Supplier Social Value Policy. In turn, our suppliers get access to more prestigious customers. See page 31

Supplier NPS

+14



Communities and environment

Mitie's vision is to generate social value through everyday operations, leaving a legacy for the communities in which we work to support a brighter future for all. See page 32

MSCI rating

AA



Equity shareholders and debt holders

Creating value through our growth and margin enhancement strategy while delivering sustainable free cash flow will deliver higher returns for shareholders and debt holders. See page 30

ROIC

29.9%



Government

Mitie is a significant contributor of revenues to the UK Exchequer including UK corporation tax and employer's National Insurance. See pages 32 and 60

Tax paid

£148m

Stakeholder engagement



Equity shareholders and debt holders in Mitie

Our investors include equity shareholders, ranging from global institutions, to small private investors including all our frontline colleagues to whom we gifted shares. We also have debt holders based all over the world.

Why we engage

Our shareholders are the owners of our business. Access to capital from supportive, long-term investors is vital to delivering Mitie's long-term strategy and performance. We also need access to a variety of sources of liquidity and other banking services.

Shareholders, debt holders and investment analysts should have a strong understanding of Mitie's strategy, performance and culture.

How we engage

- Annual Report and financial statements
- Annual General Meeting
- Corporate website including investor section
- Results presentations and post-results engagement (roadshows)
- Capital market events and site visits
- Stock Exchange announcements and press releases
- Regular and ad hoc analyst and investor interactions

Key issues

- Financial performance; growth in revenue and profit
- M&A – integration of Interserve
- Cash flow and shareholder returns (e.g. dividends)
- Remuneration policy and executive remuneration
- Governance and transparency
- Sustainability (ESG) performance
- Our approach to people and how it defines our culture

Action taken in FY22

80+ 1:1 shareholder meetings, including Chairman and NED meetings

Four formal presentations/conference calls between management, analysts and shareholders to discuss financial performance

Consultations with major shareholders on proposed remuneration policy (see more on page 130)

Extensive engagement to agree a new revolving credit facility and new delayed funding USPP notes, securing Mitie's main facilities for four years (RCF) and between eight and 12 years (USPP)

Measurement (link to KPIs)

- Revenue
- EPS
- ROIC
- Operating profit and margin
- Total Orderbook
- Free cash flow
- Average daily net debt and leverage ratio
- Carbon emissions
- Employee engagement



Customers

Our large, diverse, blue-chip customer base across private and public sectors ranges from critical government infrastructure to manufacturing, retailers, and transport and logistics organisations.

Why we engage

To grow profitably and sustainably, we need a strong customer base that will remain loyal, spend more over time and recommend Mitie to other organisations to facilitate our growth. Customer engagement is also an important part of continuous improvement.

How we engage

- Management of ongoing major customer relationships by senior leadership
- Customer experience programmes
- Commercial/performance reporting
- Participation in industry forums and events
- Regular communications including press releases, website and social media
- Meetings and briefings

Key issues

- Performance and efficiency
- Technology and innovation
- Health, safety and sustainability
- Quality assurance and insights
- Cost/value
- Regulatory compliance, governance and transparency
- ESG considerations

Action taken in FY22

Annual customer NPS programme (92% aggregate revenue covered) to establish customer satisfaction, and identify risks and opportunities

Incorporated Cabinet Office bi-annual survey results into joint Cabinet Office/Mitie commitments across strategic public sector accounts

VIP Strategic Conversation programme presenting insights from interviews with 20 top customers

Customer site visits to C&HCE, Intelligence Hub (formerly GSOC) and TSOC

Measurement (link to KPIs)

- Customer satisfaction score (customer NPS)
- Diversity in the workforce
- Employee engagement
- Average daily net debt and leverage ratio
- Carbon emissions



Suppliers

Mitie has a diverse and wide-ranging supply chain; from suppliers who manage lifts, clean skyscrapers, or maintain complex solar PV installations. We spend over £1.5bn a year with British suppliers and actively promote SMEs, VCSE, and diverse-owned businesses.

Why we engage

Our 12,000 suppliers make a vital contribution to Mitie's performance. We encourage our suppliers to work collaboratively and responsibly, to ensure continual improvement in our operations. We are committed to ensuring a responsible supply chain.

How we engage

- Annual supplier NPS survey to top 250 suppliers
- Supplier Management Framework (SMF) oversees 1:1 supplier engagement with around 200 strategic partners
- Communications through various channels including email, letter and platforms on change programmes such as Forté, Digital Supplier Platform and SAP implementations
- Ensure all suppliers adhere to our Procurement Policy, including modern slavery and human trafficking, safety and sustainability objectives, and our Mitie vetting standards

Key issues

- Long-term engagement and mutually beneficial relationships
- M&A activity and subsequent standardisation of processes within required entities
- High standards of product quality and service delivery
- Continuous operational improvement and cost control
- Responsibility and integrity, including ESG matters, trust and ethics

Action taken in FY22

Introduced interactive transactional supplier portal with Coupa

Launched www.mitiesuppliers.com, a new platform with information for suppliers

Introduced regular communications with all suppliers on MiNet, including Supply Chain Insights

Joined Minority Supplier Development UK (MSD UK) as corporate member

Regular meetings with SMF strategic suppliers

Continued savings focused discussions to mitigate inflation increases

Measurement (link to KPIs)

- Average daily net debt and leverage ratio
- Carbon emissions
- Supplier satisfaction score (Supplier NPS)
- Diversity in the supply chain (e.g. VCSE, SME, racial diversity, disabled, women-owned)



Colleagues

Our diverse team of 72,000 colleagues includes 155 nationalities, working across the globe.

Why we engage

People are our greatest asset and we have a duty of care to ensure they are equipped to make the best decisions. Our core promise is to provide our people with a place of work where they can thrive and be their best every day; to create a diverse and inclusive workplace where every colleague can reach their full potential; and to ensure we are delivering to our colleagues' expectations.

How we engage

- Regular employee engagement surveys, periodic pulse surveys and feedback on actions taken
- Communications platforms including MiNet, MitiePeople.com, and social media
- Board and management level engagement including Townhall meetings and local site visits, and Voice of the People sessions led by a Non-Executive Director
- Global Company updates
- Annual individual performance reviews and training
- Confidential whistleblowing service
- Direct access to the CEO

Key issues

- Culture and values
- Reward and recognition
- Tools to do the job: systems, processes and technology
- Health, safety and wellbeing
- Diversity and inclusion
- Learning and development

Action taken in FY22

Launched mitiepeople.com, a new external colleague platform for our colleagues on the frontline

Grill Phil email correspondence, 17,000 per annum

Launched 'One Mitie' Occupational Health and Wellbeing strategy and digital wellbeing platform

Relaunched new whistleblowing service

Company-wide Team Talk Live executive roadshows and recorded events

New People and Learning Hubs

New networks CHORD, Military and Carers

Measurement (link to KPIs)

- Females in senior leadership team
- Racial diversity in senior leadership team
- Employee turnover
- Lost time injury frequency rate
- Number of apprentices

Stakeholder engagement continued



Communities

Our communities comprise those who live and work locally to our operations and those who represent the needs of the communities we operate in, including charities, independent bodies and local government.

Why we engage

We are an active part of the communities we operate in, helping deliver social value commitments not only for ourselves, but for our customers. We are serious about the commitments we make to our communities; we track the benefits and look to improve wherever we can. We also commit to helping create safer communities for our customers and neighbours.

Building positive relationships with local communities is important for Mitie's performance and aids the recruitment of engaged and talented people. We support our communities through a wide range of volunteer and fundraising initiatives.

How we engage

- Employee volunteering
- The Mitie Foundation programmes (e.g. employability sessions, Ready2Work, Career Ready)
- Careers events hosted in the local communities where we work
- Local charity fundraising events
- Local community events
- 'Giving Back' volunteering days
- Meeting local politicians

Key issues

- Jobs and investment
- Local operational and environmental impact
- Environment Social Governance performance

Action taken in FY22

14,650 volunteering hours delivered in FY22, including delivery of food parcels to those shielding during COVID-19

536 employability sessions delivered to charity partners, including flagship Ready2Work programme

Careers fair for ex-military personnel

Community events including volunteering

Measurement (link to KPIs)

- Carbon emissions
- Volunteer hours
- Community investment



Government

The UK Government is a regulator and a customer for Mitie, so engagement ensures Mitie can help in shaping new policies, regulations and standards.

Why we engage

Government sets the regulatory framework within which we operate and is also our customer. The decisions of government and regulators can have a major impact on our business.

How we engage

- Responses to government consultations
- Participation in industry bodies
- Conferences and speaking opportunities
- Annual Report and Accounts
- www.mitie.com

Key issues

- Financial performance
- Major business updates
- Environment Social Governance performance
- Governance and transparency

Action taken in FY22

25+ meetings and events with senior government stakeholders

Regular executive meetings with Cabinet Office (CO) and CO Director for Markets and Suppliers

Presented at One Government Day attended by 70+ government customers

Bi-annual Partnership Executive Meeting (PEM)

Roundtable with key government stakeholders to discuss decarbonising the public sector estate

Through our public affairs consultancy we seek to foster senior stakeholder relationships and lobby across the public sector

Measurement (link to KPIs)

- Customer satisfaction score (customer NPS)
- Employee engagement
- Average daily net debt and leverage ratio
- Carbon emissions
- Diversity in the workforce



cellnex



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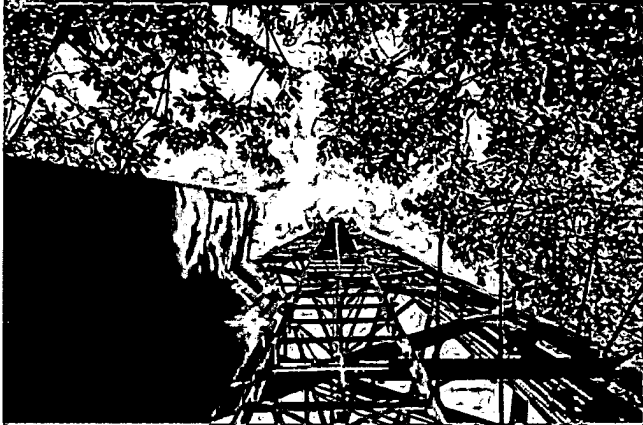
Network Rail



Home Office



Adding value to the UK's telecoms infrastructure

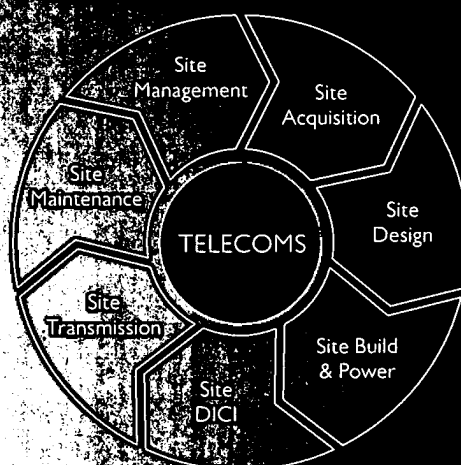


In the past year we have increased our focus on the growing UK telecoms infrastructure market, making acquisitions and strengthening our team to extend our services from maintenance to a full-service offering, including site acquisition, design and construction.

Mitie Telecoms has 600 team members, including 300 field engineers, one of the largest capacity in the UK. We have contracts with 20 major UK customers, ranging from Vodafone, EE, O2, 3 and BT to Cellnex, Nokia, Ericsson, the Home Office and Network Rail. We also provide secure network coverage for the MOD, police and security services at events such as the G7 summit and COP26, as well as temporary coverage at events and festivals.

Our ambition is to become the largest and most respected provider of telecoms infrastructure support services in the UK by 2025. We're investing in every aspect of our organisation:

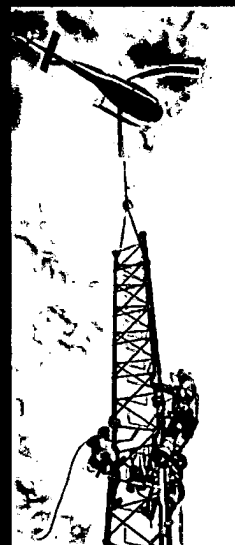
- Apprenticeship and graduate schemes, such as the Cellular Network Apprentice
- New systems such as Site Tracker, Click, Maximo, Revit, MYX, BIM and SAP
- Digital design
- Carbon reduction



Link to strategy



Grow Mitie



Transforming the UK's defence estate through technology leadership



£646m

Value of Mitie's contract to maintain
military estates in Scotland and
Northern Ireland

4,400

MOD buildings we are maintaining,
across 91 sites

1st

leading in technology with first fully
integrated CAFM system with DIO,
built in collaboration between Mitie
and DIO

A vital role in protecting the nation

In June 2021, we won a significant contract with the Ministry of Defence, awarded by the Defence Infrastructure Organisation (DIO), for its Future Defence Infrastructure Services (FDIS) programme across Scotland and Northern Ireland.

The contract covers 4,400 buildings over 91 sites: from historic military locations, such as Edinburgh Castle and Fort George, to remote stations in Benbecula and the Shetland Islands; to operational bases such as Aldergrove in Belfast and RAF Lossiemouth.

How we are maintaining major sites

Our role is to ensure the FDIS estates are running smoothly, so our Armed Forces can focus on protecting the UK. Under the new contract Mitie delivers grounds, reactive and scheduled maintenance services. Our services also cover airfield lighting systems and critical fuel supplies, munitions storage and single living accommodation.

Supporting strategic planning with data

Technology lies at the heart of our work with the FDIS. Our 24/7/365 helpdesk and facilities management app, ARIA, allows users on-site to contact Mitie and raise issues, from a faulty heating system to a leaking roof. With technology, the DIO team can keep track of progress for each task via Maximo, Mitie's CAFM (Computer Aided Facilities Management) system, which provides transparent, real-time reporting on all the works that we carry out.

Our data-led service and secure cloud-based system also help us to support the DIO's Net Zero journey. Our innovative approach ensures we can easily identify what is running efficiently, where energy is being wasted, and what needs to be discarded or upgraded, such as replacing a consistently high energy use boiler with a greener alternative.

[Link to strategy](#)



Capability enablers:
Science of Service; Decarbonisation



Our work with the DIO and Military Commands helps to ensure the UK has a Defence Estate that's not only safe and operationally effective, but also a great place to live and work. It's a real challenge, but the combination of our great people and technology gives us the confidence we need to succeed.

Charlie Antelme, DSO
MD Government and Commercial, Mitie

We're looking forward to working with Mitie over the next seven years. Together, we will continue to innovate, exploiting emerging technology and new ways of working, and transform the delivery of hard FM services to support our Armed Forces.

Jon Hewlett,
FDIS Programme Manager,
Defence Infrastructure Organisation

Our environment and social value framework

Enhancing lives and assuring a better, more sustainable future

Setting the ESG standard for the facilities management industry

The increasingly urgent climate emergency, exacerbated by the COVID-19 pandemic and heightened social issues, as well as supply chain crises, have made it clear that sustainability is pivotal to our future. Our diverse stakeholders are driving demand for sustainability services that contribute to achievement of their own transition plans and Net Zero targets.

Facilities management organisations have the potential to make a significant difference in the workplace, across communities and beyond. Mitie's vision is to lead the facilities management sector in creating social value through everyday operations, leaving a legacy for the communities in which we work, to support a brighter future for all. We are embedding ESG considerations into every aspect of Mitie's business, from strategy to supply chain management, to delivering decarbonisation advice and energy transition support to our customers.

Our social value framework

Mitie's social value framework is aligned with five UN Sustainable Development Goals. This is our platform for ESG, sustainability and social value

throughout our value chain, from investors to winning new business, delivering a sustainable service and creating social value impact.

Setting ambitious targets

Mitie has set 13 industry-leading social value and responsible business targets that relate to its social value framework, and the focus areas highlighted within the following pillars of employment, responsible supply chain, communities, and environment, underpinned by innovation.

Our Plan Zero initiative commits us to reach Net Zero Scope 1 and 2 emissions by 2025. It's focused around three key pledges, encompassing the key areas of environmental impact for Mitie, with specific targets to:

- Eliminate carbon emissions from power and transport
- Eradicate non-sustainable waste
- Enhance inefficient buildings to meet the highest environmental standards

We've also committed to a science-based target (SBT) of Net Zero supply chain (Scope 3) emissions by 2035.

Mitie is advanced in its approach to ESG with our approach and Group strategy influenced by our key stakeholders. Our ESG strategy has evolved from just managing risk to driving growth opportunities with climate action and quality job creation at its core.

Jason Roberts, Group Director for Sustainability & Social Value

ESG oversight and governance are provided by the Social Value & Responsible Business Committee, chaired by Baroness Courtie. For more information on the Committee's activities over FY22, please see pages 131 and 132.

Our social value framework pillars



People

We're creating a 'Great place to work' and fostering a truly inclusive culture at Mitie. Read more about our people strategy and initiatives on page 37.



Environment

We're protecting the environment, improving our own energy efficiency and transitioning to a low carbon economy. A detailed overview of our approach is on page 41.



Community

Read about how we are enriching the community by providing employment opportunities to underrepresented groups and support through volunteering on page 50.



Responsible supply chain

By building a responsible supply chain we can support social enterprise and local delivery, and adopt a circular economy. Find out more on page 51.



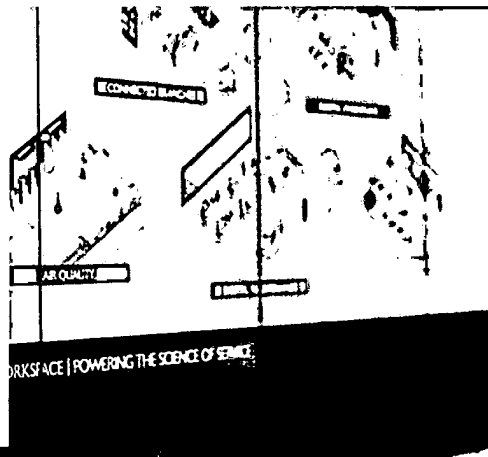
Innovation

Innovation pillar is embedded within the others to ensure Mitie remains at the forefront of technology and processes.



People

Our vision is to be the destination employer in the facilities management industry, creating a 'Great place to work', and a truly inclusive culture where our people are supported to achieve their potential.



Putting people at Mitie's heart

We're a people business: we offer facilities management services that are driven by our people – without them Mitie wouldn't be here. We are one of the largest facilities management employers in the UK, with 72,000 colleagues, and we care about all of them – because we know that they give their best when we show that we care.

Our expertise, care, technology insight and focus on sustainability create amazing work environments and help our customers be exceptional every day. Key to our approach is making sure Mitie is a 'Great place to work', where our people can thrive and be their best every day, so we can engage and retain the best talent, and deploy that talent for our customers, drive shareholder returns and build a sustainable



Our response to COVID-19

Over the past two years, we've had two very different issues facing us during the COVID-19 pandemic. Firstly, how we support our 65,000 'Frontline Heroes', who have been at the forefront of the response to the pandemic, facing it every day as they work to keep the country running, and interact with the public; and also supporting the health and wellbeing of our office-based people. We are very proud of all their commitment and achievements – 10,000 of our people worked in testing centres in the nation's fight against COVID-19. During this time, Mitie colleagues carried out 12,000,000 tests across 280 sites, mobilised to keep the public safe from COVID-19.

business. When we ask our people what makes Mitie great, they all say: 'the people'. Everybody goes the extra mile, our customer's business is our business and we have an inclusive, supportive culture, where our diversity makes us stronger, and we are built on integrity and trust. Whether we are keeping things running smoothly in a safe environment, looking for new ways to do things better or fixing problems, we go the extra mile.

What makes us Mitie

To achieve our vision, we are committed to providing an industry-leading Employee Value Proposition, underpinned by a great employee experience so our people feel valued and are encouraged to stay working at Mitie for longer, as well as providing our customers with excellent service.

We know our people have a great employee experience – we know from their feedback that they are inspired to work harder. In FY22, we've integrated the HR functions of Interserve and Mitie to create one that is much more focused on employee experience – a huge exercise as we integrated Interserve's 20,000 people into our systems and ways of working. We aim to optimise and strengthen our employee experience, and improve the lives and wellbeing of all our people. We show that in various ways, from our industry-leading benefits, which we have continued to improve over the past year, to better access to career progression, and building a truly inclusive culture.

As we evolved our people strategy throughout FY22, we were delighted to welcome Sim Sian as our new Head of Equality, Diversity and Inclusion, and Yvonne O'Hara as Group Head of Internal Communications and Engagement. We are also benefiting from the extensive experience of four new HR directors.

Employee engagement

Listening and responding to colleague feedback and amplifying their voice is crucial to achieving Mitie's vision of becoming the destination employer in the facilities management industry.

Jennifer Duvalier is Mitie's designated Non-Executive Director responsible for oversight of the Board's engagement with the workforce.



Real living wage

Mitie works with the Living Wage Foundation to promote the Real Living Wage. Mitie believes in paying a decent wage to all its colleagues, who carry out vital work for many organisations, and we are committed to paying all Group head office colleagues the Real Living Wage, as well as campaigning for its widespread uptake within customer contracts. We incorporate Real Living Wage costing when we submit bids to prospective and current customers so they can choose the Real Living Wage at the point of tender and ensure that our colleagues are paid a fair wage for the work they do. In FY22, we've rolled out new benefits including salary advance, where our people can draw down on earnings ahead of payday, low-cost loans and a discount retail site.



Our environment and social value framework continued

People

Jennifer participates directly in employee engagement initiatives and carried out a full programme of activities during FY22, including several Voice of the People listening sessions.

In April 2022, we ran our annual Upload colleague engagement survey for the fifth time, with 47% of our people taking part in the survey – an increase of 7% on last year. Mitie's employee engagement score was 50%, slightly lower than last year in line with global trends where there was a positive increase during COVID, but with progress over FY20. We also run local listening focus groups, our GrillPhil email for the Chief Executive – of which 17,000 were received this year, and 'You Said, We Did' – the actions and activities that are taken as a result of feedback from these communication channels.

We held these sessions virtually and face-to-face, with resoundingly positive feedback from our employee participants who value the opportunity to have their voices heard. Topics ranged from pay and payroll, benefits and rewards, and career progression, to technology and accessibility of systems, with positive feedback and areas to improve. During FY22, we have developed many initiatives to address these key themes, which will be part of our people focus in FY23.

Equality, diversity & inclusion at Mitie

Developing a diverse and inclusive workplace
To become the destination employer in our industry we must proactively evolve and adapt our approach to equality, diversity and inclusion (ED&I), so we have an inclusive and representative workforce, and offer all our colleagues clear opportunities to develop and progress. With 155 different nationalities across our workforce, we have a racially-diverse

Women on senior leadership team (SLT)

24%

FY21: 21%

Racial diversity on senior leadership team (SLT)

8%

FY21: 8%

Health and wellbeing hours

5,503

FY21: 2,338

Net Promoter Score

+39

FY21: +24

Employee engagement

50%

FY21: 55%



Team Talk Live

In June 2021, we launched a leadership visibility campaign Team Talk Live. Taking place virtually via Teams, we aimed to raise the visibility of Mitie's management team, facilitate a two-way conversation with colleagues across the business and provide opportunities for two-way feedback. We ran interactive virtual events, including 'fireside chats' on topics such as equality, diversity and inclusion and live Grill Phils, where employees could ask Mitie's Chief Executive Officer any question they wanted. More than 25,000 Mitie people took part and their feedback was overwhelmingly positive – they really valued the opportunity to hear from and speak with Mitie's leaders about what matters most to them.

culture; we also aim to achieve an inclusive workplace, where colleagues can be their true selves.

Aligned to our people strategy, our ED&I strategy will act as a key enabler to delivering our business strategy, will contribute to our focus on growth, and will deliver our commitment to represent the diversity of our communities and customers, from the frontline to the Boardroom, by 2030. This will increase ownership and accountability for ED&I across the senior leadership team at Mitie.

We are committed to achieving the following goals:

- Increase % of women on the SLT to 35% by 2023, and 40% by 2025
- Increase % of racially diverse colleagues on the SLT to 10% by 2023, and 20% by 2025
- 5% employees through an apprenticeship scheme

We will review our diversity goals once census data is available, to ensure that we are setting challenging targets beyond 2025. Since 1 April 2022, 22% of our Board is racially diverse which compares with 19% of our workforce.

We are building transparency and trust by listening to and responding to the voices of our colleagues, and want to increase diverse representation across every career band. We hope this will also improve our ED&I bidding capability, and support the development of inclusive technology solutions, building sustainable profitable growth. Over the past year we have continued to launch award-winning ED&I initiatives, as well as ED&I training for the whole Group, built using our own people and real experiences, including filmed examples.

Employee networks

We have seven established employee networks, available for any colleagues to join and influence positive change across Mitie. They focus on: women in the workplace; race and ethnicity; disability; sexuality; age diversity; carers and ex-military personnel.

In connection with the Group's wider diversity initiatives and our ED&I Policy, Mitie is committed to:

- Giving full and fair consideration to applications for employment by disabled persons, having regard to their particular aptitudes and abilities
- Continuing the employment of, and arranging appropriate training for, employees who have become disabled during their employment
- The training of, career development and promotion of disabled employees.
- Mitie is a signatory of the Disability Confident scheme with the Department for Work and Pensions.



Our award-winning diversity and inclusion programmes

Our conscious inclusion programme 'Count me in' won Best Diversity, Equality and Inclusion Initiative and Best Learning Initiative for Business Culture at the Business Culture Awards 2021. It's a bespoke, conscious inclusion training programme, created with our partner t-three and developed based on feedback from Mitie colleagues regarding their inclusion experiences.

The Mitie Foundation also won an Award for 'Driving Social Inclusion in the Workplace' category at the Employers Network for Equality and Inclusion (enei) Awards, for its flagship 'Ready2Work' programme. The scheme looks to break barriers for those who may face difficulties securing employment by offering a diverse range of enthusiastic and capable individuals the opportunity to gain work experience across the Mitie business. To date, more than 500 people have completed the Ready2Work programme, with many securing employment with Mitie after their placement.



Gender breakdown

At 31 March 2022	Male	Female	Total	% Male	% Female
Board	4	3	7	57%	43%
Senior leadership team	65	20	85	76%	24%
Employees	42,429	29,680	72,109	59%	41%

Gender pay

We strongly believe that being transparent about the diversity and pay of our workforce is an important step towards creating meaningful change. At 5 April 2021, Mitie's median gender pay gap was 5.4% (versus 6.4% at 5 April 2020), which continues to compare favourably with the UK national pay gap of 15.4%. Mitie's mean gender pay gap was 8.6% (versus 7.7% at 5 April 2020).

A key contributor to our gender pay gap is an imbalance in the number of men and women at various levels. We have fewer women than men in our more senior positions and typically people in more senior positions receive the highest pay. This impacts both hourly pay and the bonus pay figures, because bonuses tend to be paid to those in the most senior positions to keep pace with market practices and to ensure we can attract and retain the best talent.

Efforts to achieve gender parity centre around four areas. These continue to form part of our long-term, sustainable approach to improve the representation of females, and all under-represented groups, across all Mitie's organisational levels:

1. Leadership: Enabling more females to secure leadership positions through targeted development interventions for female talent
2. Resourcing: Ensuring the Group resourcing is fully inclusive and Mitie is hiring from a diverse talent pool
3. Career Development: Taking action that supports the career progression of underrepresented groups
4. Reward and recognition: Creating a powerful and engaging reward and recognition proposition that rewards the right behaviour and celebrates inclusion

Making a difference to our people's lives

Reward and recognition

We invest in our people to make a difference to their lives, and offering benefits and recognising colleagues for a job well done is key to our success.

We have launched new and enhanced benefits in FY22 to build on the life assurance and Virtual GP access we introduced in FY21. We have enhanced maternity pay for everybody. We also recognise the changing needs of our people and want to ensure their wellbeing and introduced a new sabbatical policy for our colleagues who have worked at Mitie for one year.

In FY22, we introduced an improved share incentive plan (SIP), where our people receive an extra free share for every two they buy. Last year we gifted free shares to all our UK colleagues and will do so again this year. The free shares were well received by our colleagues and help us all to share in Mitie's success as a listed business.

These benefits are all regularly promoted through our different communications channels, including Recap, Download and Minet.

Health & Wellbeing

In FY22, we welcomed Rebecca Eaton as our new Head of Wellbeing. She is looking at how we make wellbeing an integral part of everything that we do.

Safety is our number one priority, and our goal is simple: zero harm – to our people, our customers, and members of the public passing through the facilities Mitie takes care of. LiveSafe, the Group's QHSE culture change programme, gives the Group's people ten rules to live by. The rules are mandatory and are supported by training delivered through Mitie's Learning Hub.

In FY22, Mitie signed the Mental Health at Work Commitment as part of our plan to remove the stigma associated with mental health, provide support and improve our colleagues' mental wellbeing. We will increase mental health awareness through our colleagues' sharing of their personal stories of mental health; introducing line manager training; and improve early access to support. We are also growing our mental health first aid network, providing them with support and helping them to be champions of mental health across Mitie.

Our externally-run employee assistance programme provides first line support on any wellbeing topic through to in-depth counselling. Through Optima (our Occupational Health provider), we provide our people with a range of support to meet their needs.

Our environment and social value framework continued

People

In FY22, we introduced a new hybrid working policy and deployed it for our 7,000 office-based employees. From an office-based perspective, it's been well received by people, who like being in the office collaborating – but not having to commute every day.

Over FY22, we've delivered 5,503 hours of health and wellbeing training across the Group, including 4,368 hours of Mental Health First Aid training.

Whistleblowing: Our independent whistleblowing service provides our colleagues with easy to access reporting for any concerns.

Learning & development

To support our vision to become the destination employer in the facilities management industry, we must ensure that we have a diverse workforce equipped with the right skills for the medium and long term. We aim to offer all our colleagues clear opportunities to develop and progress.

In FY22, we launched our learning and development SharePoint and Mitiepeople.com site for all colleagues to access our full learning offer – creating the go to place for all learning and development information and resources. We've also revamped our annual talent review process, and our MiReviews will ensure a strong focus on career development, as well as signposts to apprenticeships and skills builds.

We want our people to be inspired by inclusive, collaborative and values-led leaders, who understand our business and our customers, and engage and empower their teams to deliver results. We introduced our leader development programme in FY21 and developed this further in FY22 by adding externally-led psychometric assessments to identify personal attributes, motivations and values, and assess aptitude. Results were mapped against our Mitie values and leadership competencies, as well as external benchmarks. Our leaders also took part in a 360-degree feedback Inclusivity Truth Teller activity, which allowed them to seek feedback on how inclusive they are as a leader and how they are experienced by their people. This helped to support their development planning and ability to take proactive steps towards becoming more inclusive.

We encourage and enable all our people to progress their careers in Mitie. Over the past year, we have developed personal Career Pathways to enable our people to navigate their career in Mitie and drive their own development. Due to launch in FY23, each colleague will be able to identify the competencies for their role, assess themselves and access curated learning content to support their development, as well as identifying other roles within Mitie that suit their skillset.

Apprenticeships

We support our people to gain valuable skills and qualifications through apprenticeships, to improve their social mobility and to support our business growth. We are also focused on accessing a more diverse group of external candidates to meet our resourcing needs, while supporting UK economic recovery. We offer more than 55 sustainable apprenticeship programmes and promote these through Group and local channels. Our target is 3.0% of our employees working over 30 hours and we currently have 940 live apprenticeship courses ensuring that we hit our target with a score of 3.55%.

The Apprenticeship Levy is a charge introduced by government, with the aim of increasing apprenticeship numbers. We aim to continue to grow our apprenticeship programmes by supporting the development of a future talent pipeline and to increase the utilisation of our Apprenticeship Levy utilisation from 35% to 50% over the next few years.

Together with our external networks, including the Business Services Association Apprenticeship and Skills Group, and the All-Party Parliamentary Group on Apprenticeships, we are lobbying to remove unnecessary barriers to learning, enabling businesses to repurpose and optimise Levy funds and to offer more apprenticeship-based programmes, that are broad and inclusive.

Priorities for FY23

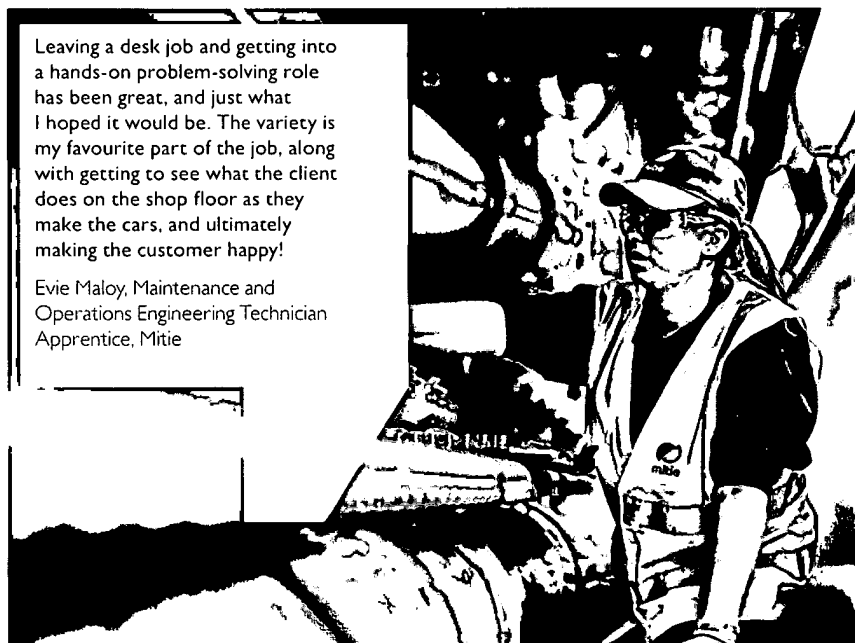
Our people agenda is always evolving; magnified by external factors, including the challenging labour market, inflation and cost of living increases, and the escalating situation in Ukraine. We have more to do to become a consistently 'Great place to work', and the destination employer in the facilities management industry. We entered FY23 with a talented HR leadership team, ready to take on these challenges.

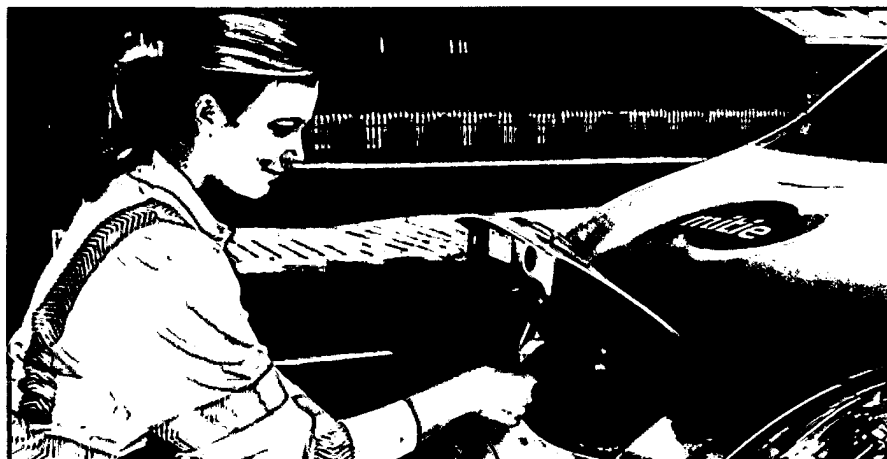
Our focus for FY23 centres around five key elements beyond delivering our overarching people strategy:

- ➊ Develop our employee value proposition to engage and retain the right people and attract new talent, enhance the work lives of our colleagues and enhance our employer brand
- ➋ Develop a new, one-off, bespoke, high impact Line Manager development programme to better equip them with the capabilities and skills to lead our people
- ➌ Build a bespoke customer experience development programme for all frontline colleagues
- ➍ Use PowerBI and HR data from different sources to drill down into local data to identify issues and target interventions
- ➎ Develop and roll out our new ED&I strategy, which will contribute considerably to Mitie's culture
- ➏ Lobby for Apprenticeship Levy change

Leaving a desk job and getting into a hands-on problem-solving role has been great, and just what I hoped it would be. The variety is my favourite part of the job, along with getting to see what the client does on the shop floor as they make the cars, and ultimately making the customer happy!

Evie Maloy, Maintenance and Operations Engineering Technician Apprentice, Mitie





Environment

As a responsible business, with creating social value at our core, we are committed to eliminating our impacts on the environment and mitigating the effects of climate change.

Our Plan Zero

Our Plan Zero initiative gives us a clear structure to fight climate change and sets a defined pathway on how we will decarbonise our business. We are committed to reaching Net Zero operational emissions by 2025. In addition to this target, we have committed to a science-based target (SBT) to achieve an 80% reduction in our Scope 3 non-operational emissions by 2030 and full Net Zero Scope 3 emissions reduction by 2035.

Plan Zero is focused on three key pledges: to eliminate carbon emissions from power and transport, eradicate non-sustainable waste, and enhance inefficient buildings to meet the highest environmental standards.

Not only are we working hard to reduce our own environmental impact, we also offer our customers end-to-end sustainability solutions.

Our in-house sustainability consultancy supports our customers' journey in carbon reduction through its expertise in advising on low carbon technologies, workplace strategy, wellbeing and environmental performance. In addition, our landscapes business has dedicated resource in biodiversity assessments and carbon sequestration projects, such as living walls and green roof installations. We also support decarbonisation financing for our customers. In October 2021, Mitie and Sustainable Development Capital LLP, an investment firm specialising in energy efficiency and decentralised energy generation, launched a new partnership to help both public and private sector organisations plan their decarbonisation roadmap and fund the low carbon equipment and technology they need to make their sites Net Zero.

Our environmental targets

To achieve Net Zero carbon emissions before the Government's target of 2050, we have the following carbon reduction targets:

- ➊ Net Zero carbon by 2025 (Scope 1 and 2)
- ➋ Net Zero carbon by 2035 (Scope 3)
- ➌ Eliminate all Scope 1 emissions (fossil fuels) from our operations by 2025 and adopt natural renewable sources for Scope 2 electricity emissions
- ➍ Continually measure, report and influence Scope 3 emissions throughout the value chain

Annual target under budget

23,661

tonnes of carbon were emitted (independently verified by Optera) – 1,569 tonnes below our 25,230 target for FY22.

See page 45 for further information on verification



Eliminate carbon emissions from power and transport

- ➊ Convert the Group's fleet to zero emissions and power the Group's EV charge points with green energy
- ➋ Decarbonise the Group's fossil fuelled heating systems and use 100% renewable energy for our built estate
- ➌ Increase the Group's use of technology to reduce work travel to a minimum. Where travel is necessary, Mitie will choose low carbon methods



Eradicate non-sustainable waste

- ➊ Eliminate single-use materials by embracing the circular economy, such as through a closed-loop paper recycling system
- ➋ Reduce the Group's use of natural resources, with only items which fit the Group's circular economy approach allowed on site
- ➌ Use natural, non-toxic, and biodegradable cleaning products, and champion the use of new innovations wherever possible, such as microfibre and surface coatings



Enhance inefficient buildings to meet the highest environmental standards

- ➊ Always choose new offices with at least an 'Excellent' BREEAM rating and only re-sign leases on offices with an A EPC rating
- ➋ Enhance energy optimisation and use the Group's smart building technology to achieve maximum energy efficiency at all Group sites
- ➌ Improve biodiversity at all Group sites using initiatives that help ecosystems flourish, such as choosing plants which attract wildlife or establishing bug hotels

Our environment and social value framework continued

Environment

Eliminating carbon emissions from power and transport

Pioneering in electric vehicle fleets

Our largest carbon emissions relate to our vehicle fleet (98% of our total Scope 1 and 2 footprint) and our path to Net Zero target will largely be achieved through transitioning our entire fleet to electric vehicles (EV) by 2025. We were one of the first major UK facilities management providers to launch an EV fleet and we have one of the largest EV fleets in the UK. As at 31 March 2022, 2,217 electric vehicles (33% of the fleet, including commercial vehicles) are in operation (FY21: 22%) and our next challenge is to reach 45% by the end of FY23, and 100% by the end of 2025. We are doing this by replacing our vehicles with newer more efficient EVs, and ensuring that all commercial vehicles are installed with speed limiters and telematics to improve driver behaviour. We've also installed more than 2,000 EV charge points across the Mitie estate, employee homes and customer sites. Our EV charging solution – the Mina Platform – enables direct payment for EVs across our estate, colleagues' homes and client sites. This makes it possible to pay for work vehicles to be charged at home with a single bill. In FY23, we will recommend 100% renewable tariffs for Mitie drivers, increasing the uptake to power not only EVs, but homes too. Mitie is a signatory to EV100, The Climate Group's initiative to commit organisations to transitioning to an EV fleet by 2030.

100% renewable sources of energy

Mitie is committed to using renewable energy in its offices and we purchase 100% of power backed by Renewable Energy Guarantee of Origin for Mitie-controlled offices. Mitie is a member of RE100, the Climate Group's global corporate renewable energy initiative for businesses to achieve 100% renewable electricity, and have already achieved this. We are committed to doubling our energy productivity, through the Climate Group's EPI100 initiative. Mitie is one of only a handful of organisations to hold all three accreditations (RE100, EV100, EPI100). In FY22, Mitie Energy recertified to ISO50001 Energy Management Standard and we will be rolling this out across the Group in FY22.

Enhancing inefficient buildings to meet the highest environmental standards

9 Net Zero sites

Decarbonising heating systems and increasing energy efficiency within the Mitie built estate is crucial to achieving Net Zero operational emissions by 2025. In FY22, our building energy usage increased compared to FY21; however, this was due to the previous year's lower figures as a result of buildings being closed during the COVID-19 pandemic.

Across our estate, we have implemented energy optimisation measures, identifying an annual carbon saving of 111 tonnes, including air-source heat pumps, electric air-conditioning systems, and timing schedules. Transitioning to low-carbon alternatives will improve our energy consumption and decarbonise our heating systems. In FY22, we started larger capital expenditure projects, including installing LED lighting systems and boiler replacement programmes. Through these initiatives, we have seen a 73% carbon reduction (Scope 1) in natural gas for heating, and a 34% carbon reduction from electricity (Scope 2) in our built estate through optimisation measures. However, we are seeing increases in our landlord controlled sites (Scope 3) as we transition to low carbon heat pump technology. Like for like analysis highlights that Mitie's absolute emissions have slightly increased by 7%, however emissions intensity has significantly decreased by 41%, which is attributed to the increase in company size and higher revenue values.

Over the past year, we have continued to work on decarbonising our entire built estate. During FY22 we determined that seven buildings across our estate were gas-free – operating on green energy (c.12% of our built estate). In a further two sites we removed gas-fired boilers to reduce our Scope 1 carbon emissions, and replaced them with low-carbon heat pump technology powered by fully natural renewable energy. We aim to continue at the same pace and decarbonise a further eight buildings by the end of FY23. New buildings have been added to our portfolio with our recent acquisitions, and

we are completing energy surveys to optimise consumption and identify new potential energy reduction projects. Looking forward, all new buildings that Mitie occupies will aim to have an Excellent BREEAM rating.

During the course of FY23, we will be working with landlords (of sites for which they procure energy), with the aim to ensure they procure green energy, or transfer this procurement to Mitie. We are helping our landlords to explore carbon reduction projects, such as adding solar panels, replacing gas-fired boilers with heat pumps, and procuring other green energy solutions. We are also implementing further measures to continue reducing our water consumption, including installing tap attachments to reduce water use by up to 98%.

Eradicating non-sustainable waste

Mitie has increased recycling rates and all other waste is diverted from landfill to produce energy. We aim to remove all single use items from our operations and therefore reduce our waste and associated carbon emissions.

Waste produced by Mitie has increased by 47 tonnes in FY22 and year-on-year figures are up 15%, due to exceptionally low figures in the previous year because of the COVID-19 lockdown. However, there is a significant downward trend compared to pre-COVID numbers. 58% of the waste from Mitie sites was recycled during FY22, with less than 6% going to landfill. All waste controlled by Mitie has been diverted from landfill and goes to provide energy from waste.



Our Bin the Bag initiative (to reduce single-use plastic bin liners) was deployed across 10 sites in FY22 and should remove 600kg of plastic and cut operational costs by £6,000 each year. Bin the Bag uses new bins that don't require plastic bin liners and are made in the UK from 100% recycled materials. They have separate compartments for recycling, general waste and food waste.

In 2021, Mitie won Sustainable Company of the Year at the Cleaning Excellence Awards; we were awarded a three-star rating for our Bin the Bag initiative at the Zero Waste awards in early 2022 and we were also shortlisted for three 'edie' Sustainability Leaders Awards in March 2022.

In FY22, we carried out a right sizing exercise for bins across our estate to improve our recycling rates; reviewing our bin sizes and quantity of different bins and adapting them according to the waste streams. We see the number of recycling bins increasing as we recycle more waste and we print less.

We are also deploying biotech cleaning solutions across our estate to remove chemical cleaning agents from our operations, using microbes and enzymes. As a concentrated product in recycled packaging, this is also removing significant carbon in production and transportation.

Reducing our carbon emissions

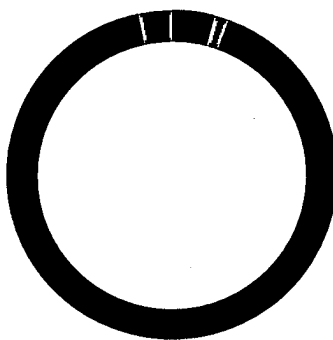
Mitie's Scope 1 and 2 carbon emissions have increased 7% in FY22 as building occupancy recovers to pre-COVID levels and we incorporate the Interserve estate into our portfolio. When comparing with FY20 emissions have continued to steadily decline.

Our carbon emissions intensity has decreased from 8.98 to 5.28. Our FY22 carbon target was 25,230 tCO₂ and we achieved 23,661 tCO₂. This was independently verified by Optera in accordance with (1) ISO 14064+1 Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals, and (2) Global Reporting Initiative's (GRI), G4 Sustainability Reporting Guidelines, with a certificate received on 20 April 2022.

In FY22, there was a significant increase in electricity emissions for our EV fleet, and landlord electricity is rising as we convert from gas fired heating to electric sources. Business travel and hotel stays are starting to move towards pre-COVID levels; however, remote working via Teams is reducing travel overall. This is the first year we have reported commuting and working from home emissions, adding 714 tonnes of carbon to our carbon reporting. The increase in working from home for our office-based colleagues has saved 147 tonnes of carbon.

Environmental dashboard

Carbon emissions for the year ended 31 March 2022



	Annual Total (tCO ₂ e)	%
● Electricity	1,040.71	4.4
● Gas	335.42	1.4
● Water	0.65	0.0
● Transport	21,554.63	91.1
● Waste	16.26	0.1
● Commuting	713.66	3.0
Total	23,661.33	

Mitie Scope 1 and 2	20,596
Mitie Scope 3 (excluding fleet upstream)	3,065
Total	23,661

Scope of emissions

Scope 1 – Direct emissions

On-site fuel combustion

Gas directly purchased for heating or generation across leased property managed by Mitie

Company vehicles

Fuel purchased for fleet vehicles

Fugitive emissions¹

Refrigerant leaks from air-conditioning (RAC) equipment in leased assets and fleet vehicles

Scope 3 – Other indirect emissions

Business travel

Expensed air, road and rail travel (inc. hotel stays)

Waste

Waste generation across leased property

Water

Water usage across leased property

Fuel and energy related activities

Electricity transmission and distribution (T&D) losses

Upstream emissions associated with the extraction of purchased fuels and gas

Upstream leased assets

Gas and electricity recharges across leased property managed by the landlord

Commuting

Commuting (all forms of transport)

Working from home

Scope 2 – Indirect emissions

Purchased electricity

Electricity directly purchased across leased property and EVs managed by Mitie

1. Fugitive emissions are currently not reported as outlined in the exclusions statement.

Our environment and social value framework continued

Environment

To date, we have not reported our supply chain carbon emissions, which form a significant proportion of our total carbon emissions. We are collating supply chain emissions data to improve our measurement, reporting and influence of these emissions as part of our commitment to a science based target (SBT). In FY22, we created a Carbon Dashboard to better understand our carbon emissions. This incorporates our built estate, our fleet fuel, EV charging, waste, water, rail, air, hotels, commuting and working from home and ultimately our supply chain. Once we have collated the relevant data, we will use it to form our SBT plan which will be submitted for verification in June 2022.

The dashboard uses algorithms to estimate missing data to provide a complete picture.

- Built estate data (gas, electricity, water) comes from the Bureau (Utiyix)
- Fleet fuel from the Allstar fuel cards
- EV charging and expensed fuel comes from TMC (fleet data system)
- Waste from Mitie Waste
- Rail, air and hotel comes from CTM (business travel partner)
- Commuting and working from home comes from an internal survey by our sustainability consulting team

Estimations

Where leased building utility data is unavailable, estimations are made using an anticipated energy use per square metre. This is calculated using a combination of half hourly meters and actual billing data received across the estate. For sites where invoice data is only available for a partial period, the available data is apportioned using an average kWh/day figure based on known utility data from other sites. Waste data is estimated using an average waste per desk figure based on actual data we receive.

Data sources:

Scope 1 and 2

Gas and electricity consumption	Information is populated from Automatic Meter Readings (AMR), invoiced data, service charge data and estimates. AMR data has priority, followed by the supplier or service charge data. If none of this is available, then an estimate will be generated based on all data for other sites. This is used to calculate an average kWh/m2 for the Mitie estate, and the estimate is this average multiplied by the floor area for the site in question. For sites where, in addition to a direct supply, there is also a service charge for energy use within the communal areas, the figures are added together. For sites where invoiced data is only available for a partial period, the data has been apportioned based on the average kWh/day for each site, based on the billing data that is held. Unless advised otherwise by property, sites are assumed to have all supplies in place. This information is taken from the Mitie Property Master Site List, which is updated in real time. Data is obtained from the data collector for HH/AMR data, the SRI80 export from Optima for invoiced data, and directly from the landlords for service charge data.
Company vehicles	Data is provided by Mitie's fuel card provider, and users then submit their monthly business and personal mileage via our Fleet Data Platform. As personal mileage must not be included within the report, we have undertaken a check of the data, compared total business miles and total personal miles, and agreed that the percentage split is 77% of consumption for business purposes. Within the raw datasets is the 100% figure, and this split is then calculated within the Consumption and Environmental tabs. This ensures that the raw data within the report matches the files received from the Fleet team.

Scope 3

Business travel	Private vehicle data with actual mileage is provided within Mitie from collation of claimed mileage expenses. For other travel modes expense spend data is obtained, an emission factor is then applied to calculate emissions from miles travelled. Other business travel (air, rail and hotel stays) is provided by our Corporate Travel Provider in a report from their dashboard.
Water	Utility bills are verified through our internal bureau service. Any billing data is cross-referenced against meter read data where available. Service charge bills are used for buildings where the landlord recharges utilities.
Fuel and energy related activities	Scope 1 and 2 data is used and Defra emissions factors for Scope 3 are then applied.
Upstream leased asset	Landlord recharge data is calculated from service charge bills or estimated from an anticipated energy use per square metre. This is calculated using actual billing data received.
Waste	Waste data is collated by our waste management provider. This data is obtained from a detailed set of scenarios to ensure that we capture not only the material that MWE collects but also more detailed information on the landlord sites. The data we have is therefore split into four scenarios – 1. Sites where Mitie Waste provides all the services (general waste, dry mixed recycling, confidential paper, food) – so we have a complete picture of the waste types/volumes and headcount. This data is used as the basis for the other scenarios as it shows all waste streams, and we can then apportion the waste stream by type, by headcount. This can then be used for the landlord sites. 2. Sites where Mitie Waste provides some of the services and some are provided by the landlord. For example, we provide confidential paper, but the landlord provides general waste, dry mixed recycling, and food. For these sites we use the actual data from the services we provide and then we do an apportionment for the services we do not cover based upon the kg/person we have for the sites in scenario 1. 3. Sites which have all the services provided by the landlord, but we know which waste streams they collect. The data for these sites is based upon the headcount for those buildings and the data from scenario 1 so we make an apportionment based upon this (similar to scenario 2). 4. Sites which have all the services provided by the landlord, but we do not know which waste streams they collect currently. For this set of sites, we use a general waste figure only and report this as landfill. There has been communication with all for these new sites (ex Interserve buildings) to ascertain what services are provided and if the waste is landfill or EfW. After this has been provided, we will then be able to move these sites into scenario 3.

Absolute emissions

Mitie mainly operates in the UK, with an operation in Spain and from a small number of overseas MOD estates. In FY21 and FY22 we did not collect the emissions data from our operations outside of the UK. The carbon impact from the overseas contracts is limited and we will be adding in the relevant processes to incorporate these specific carbon emissions in FY23.

In FY22, our building energy usage increased compared to FY21; however, this was due to the previous year's lower figures as a result of buildings being closed during the COVID-19 pandemic. Our emissions were lower in FY22 than in FY20 which was the last comparable year prior to COVID.

UK emissions	FY22	FY21	% change from previous year
Total Scope 1 (tCO₂e)	19,414	18,719	4%
Emissions from fuel combustion across our fleet	19,371	18,557	4%
Emissions from gas combustion in our occupied buildings	43	162	-73%
Total Scope 2 (tCO₂e)	1,182	486	143%
Emissions from the purchase of electricity across occupied buildings (location based)	307	464	-34%
Emissions from electricity consumption across our EV fleet	875	22	3,877%
Total Scope 1 & 2 (location based)	20,596	19,205	7%
Total Scope 1 & 2 (market based)	20,289	18,741	8%
Intensity – emissions ratio			
tCO ₂ e/£m revenue (Scope 1&2)	5.28	8.98	-41%

Mitie follows the reporting approach set out in the UK Government's Environmental Reporting Guidance (2019) to ensure that our reporting standards are robust and transparent. For most of our major emissions sources, we use primary data from AMR meter readings, utility bills, service charge data and expensed claims. Mitie Energy collates our emissions data on a quarterly basis, which is restated at the end of the year to reflect any changes or to replace any estimated data with actual data (where available). Emissions figures are verified by our Sustainability team, which has overall responsibility for ensuring the calculations and methodology are correct.

Environmental data

	FY22	FY21	% change from previous year
Electricity consumed across occupied buildings (kWh)	4,502,916	2,995,119	50%
Gas consumed across occupied buildings (kWh)	1,554,794	2,704,585	-43%
Fuel used by vehicles for business travel (kWh)	82,848,214	85,980,058	-4%
Electricity used by EV vehicles for business travel (kWh)	4,122,667	259,495	1,489%
Total organisational energy consumption (kWh)	93,028,591	91,939,257	1%
Water consumed across occupied buildings (m³)	4,396	26,699	-84%
Total waste generated across occupied buildings (tonnes)	368	321	15%
Total waste to landfill (tonnes)	19	12	58%
Energy from waste	135	85	59%
Total waste recycled (tonnes)	214	224	-4%
Recycling rate	58%	70%	-12ppt

	Actual	Target			
	FY22	FY23	FY24	FY25	
CO ₂ emissions (tonnes)	23,661	20,300	13,340	5,220	
% of Fleet Zero Carbon	33	45	65	85	
Waste to landfill (tonnes)	19	100	50	0	

Priorities for FY23

As we enter FY23 we are focused on genuine progress in sustainability, especially as our Net Zero science-based target requires action across our supply chain. We will continue to pilot new systems to improve sustainability across our business:

- ➊ Improve sustainability awareness and knowledge to our frontline colleagues and make every job a 'sustainable job'
- ➋ Supply chain – focus more on greater collaboration with customers and supply chain partners to achieve aligned goals and develop our understanding of our Scope 3 emissions
- ➌ Our fleet – in-depth analysis to better understand our high mileage drivers – how we can innovate to reduce their mileage and thereby reduce the requirement for carbon offsetting
- ➍ Decarbonisation – continue to decarbonise our built estate and remove fossil fuels from our operations
- ➎ Waste – continue to reduce our waste streams and incorporate circular economy thinking into our operations. Emphasis is placed on reducing plastic as we start to review this as a fossil fuel
- ➏ Carbon offsetting – what is the future outlook and can we develop our absolute zero plan

Our environment and social value framework continued

Environment

Task Force on Climate-related Financial Disclosures (TCFD)

In line with our strategic and operational focus on ESG we have been aligning our processes with the recommendations of the TCFD and will continue to develop our policies, processes and disclosures in line with the TCFD recommendations. We have considered our 'comply or explain' obligations under the UK's Financial Conduct Authority Listing Rules and have detailed in the table below the Principles with which we fully or partially comply. We are fully compliant with eight out of the 11 recommendations for the year ended 31 March 2022.

Governance

Principle 1: Describe the Board's oversight of climate-related risks and opportunities

- The Board has overall responsibility for climate-related risks and opportunities.
- The Board is updated at each Board meeting by Baroness Couttie who chairs the Social Value & Responsible Business Committee (SVRBC), which met five times in FY22.
- The Board reviews climate-related risks and opportunities annually; the Audit Committee reviews these twice a year.

The Company complies with Principle 1. Please refer to the SVRBC report on page 131 for further information.

Principle 2: Describe management's role in assessing and managing climate-related risks and opportunities

- The Executive Committee is responsible for managing climate-related risks and opportunities.
- The SVRBC and management-led Plan Zero Working Group and Plan Zero Steering Group, ensure that climate-related risks and opportunities are appropriately assessed and managed.

The Company complies with Principle 2. Please refer to the SVRBC report on page 131 for further information.

Strategy

Principle 3: Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term

- The Board has identified an overarching climate change principal risk as detailed on page 69, which is underpinned by a series of specific climate-related threats and opportunities as documented within the Group's climate change risk assessment.
- Mitie's risks and opportunities (including climate-related) are categorised over the following timescales: short term (within 12 months, to reflect the potential for immediate impact), medium term (within ten years) and long term (ten years+).
- The Group's strategy outlines the opportunities identified in helping our customers meet their Net Zero carbon targets.

The Company complies with Principle 3. Please refer to TCFD Risk Management section on pages 48 to 49, the principal risk on page 69 and the Chief Executive's strategic review on page 11.

Principle 4: Describe the impact of climate-related risks and opportunities on the Company's businesses, strategy and financial planning

- Mitie recognises the impact that climate change may have on its strategy, operations and financial planning and is taking action to address the implications of climate-related risks on service delivery, physical assets, supply chain, corporate reputation and the regulatory environment.

The Company does not fully disclose the impact of climate-related risks and opportunities in the context of its financial planning and, therefore, does not comply with Principle 4.

Principle 5: Describe the resilience of the Company's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Specific scenarios relating to 2°C or lower will be a focus in FY23 and the results from these assessments will be reported in next year's Annual Report. As such the Company does not comply with Principle 5.

Risk management

Principle 6: Describe the Company's processes for identifying and assessing climate-related risks

- ➊ Mitie has an embedded Enterprise Risk Management (ERM) framework. During FY22, Mitie established and implemented a new automated risk management platform for the capture of all Group-wide risks, including the overarching climate change principal risk and the climate change risk assessment.
- ➋ At a business unit, function, project and account level, all teams maintain a risk register. As risks are captured, an assessment in terms of the impact on Mitie's ESG strategy is routinely undertaken, in addition to a 5x5 assessment, which determines the significance of all risks.
- ➌ The Group Risk Team has a holistic view of all climate-related risks impacting the Group, including those captured via the Climate Change Risk Assessment and operational risk registers. The Group Risk Team works closely with Jason Roberts, Group Director for Sustainability and Social Value to ensure all processes relating to climate-related risks are aligned.
- ➍ A series of assurance checks are undertaken as part of second and third lines of defence to promote best practice and ensure compliance with policies and regulations in terms of managing the risks associated with climate change.

The Company complies with Principle 6. Please refer to the principal risks on page 69.

Principle 7: Describe how processes for managing climate-related risks, including how the company makes decisions to mitigate, transfer, accept risks etc

- ➊ Climate-related risks are identified and added to the appropriate risk register.
- ➋ Once a risk and/or opportunity has been identified, it is rated to ensure that the high risks within a business unit/function/account/project can be identified and prioritised, escalating upwards, if necessary. To ensure consistency, the Mitie 5x5 scoring matrix, which covers assessments against a number of criteria including the environment, capability and financial profile, is used.
- ➌ As a minimum, all climate-related risks and opportunities must be reviewed on a quarterly basis. All risks and/or opportunities are assigned an appetite status. Where the risk management platform identifies a climate-related risk has exceeded the Group's risk appetite threshold, reviews and additional management action will be required on a more frequent basis.

The Company complies with Principle 7. Please refer to the principal risks on page 69.

Principle 8: Describe how processes for identifying, assessing and managing climate-related risks are integrated into the Company's overall risk management

- ➊ The process for managing climate-related risks is fully aligned with the Group's overarching approach to managing all risks. Mitie's risk management platform is used to capture the Group's risk information and provides a holistic view of Mitie's risk management profile. The processes followed for the capture of this information are detailed in Principles 6 and 7.
- ➋ The Risk Team are the custodians of the Group risk register, including the management and review of all principal risks. The Risk Team also oversee the associated governance processes, which seek to ensure all risk reviews, including those pertaining to climate-related risks are undertaken and remain up-to-date.

The Company complies with Principle 8. Please refer to the Principal Risks section on pages 68 to 77.

Metrics and targets

Principle 9: Disclose the metrics used by the Company to assess climate-related risks and opportunities in line with its strategy and risk management processes

- ➊ All metrics are addressed under the KPI section on page 19 and in the ESG Report on page 45.
- The Company complies with Principle 9.

Principle 10: Disclose Scope 1, Scope 2, Scope 3, greenhouse gas (GHG) emissions, and related risks

- ➊ The Company reports Scope 1 and 2 greenhouse gas (GHG) emissions for the UK in the ESG Report on page 45.

The Company does not fully comply with Principle 10, as Scope 1 and Scope 2 emissions are not collected outside of the UK at this time and Scope 3 emissions are only partially collected. These will be fully reported in next year's Annual Report.

Principle 11: Describe the targets used by the Company to manage climate-related risks and opportunities and performance against targets

- ➊ The targets are all set out on page 45 of the ESG report.

The Company complies with Principle 11.

Our environment and social value framework continued

Environment

TCFD Risk Management section: Climate-related risk management

The Group considers climate change and social impact as a principal risk, as detailed on page 69. This is underpinned by a series of climate-related threats and opportunities which are monitored via the climate change risk assessment. This assessment is used to support Mitie in eliminating all climate-related risks, where possible. The categorisation of climate-related risks and opportunities falls into three categories, namely short term (within 12 months), medium term (up to ten years),

and long term (ten years plus), to ensure alignment with Mitie's overall approach to risk management. In addition to the climate change risk assessment, climate-related risks and opportunities are also captured at an individual customer account level and managed in collaboration with customers via account level risk registers. Using Mitie's automated risk management tool, the Group has access to a holistic view of all climate-related risks at the click of a button.

An overview of the macro level climate-related risks as reported via the climate change risk assessment are shown below. In FY23, the Group will be using various scenarios to provide assurance that all climate change uncertainties have been accounted for, in order to minimise disruption to the business moving forward. Where new risks and opportunities are identified from these scenarios, these will be captured and reported on in the next Annual Report.

Extreme weather events

Risk categorisations (type and duration)
Physical risk – Medium term

Impact

Impacts felt universally – Mitie, customers and subcontracting partners affected. Damage to assets and increased travel risks as a minimum.

Controls and mitigation

- ➊ Enhanced health & safety standards and processes.
- ➋ Operating in accordance with ISO 22301.
- ➌ Planned preventative maintenance schedules aligned to seasonal changes.
- ➍ Estates strategy in place and continually reviewed.
- ➎ Insurance coverage.
- ➏ Scenario testing taking place in FY23.

Increasing summer temperatures leading to ill-health

Risk categorisations (type and duration)
Physical risk – Medium to long term

Impact

Hotter summer periods will impact colleagues, particularly those engaged in frontline operations. A failure to prepare could lead to labour shortages, impact morale, hinder service delivery and impact financial targets.

Controls and mitigation

- ➊ Awareness campaigns with seasonal alerts.
- ➋ Embedded occupational health strategy.
- ➌ Health surveillance and monitoring framework.
- ➍ Planned preventative maintenance schedules aligned to seasonal changes.

Investor confidence on climate change management

Risk categorisations (type and duration)
Transitional risk – Medium term

Impact

A failure by the Group to perform well in respect of ESG and associated climate-related regulatory targets will have significant financial implications and impact Mitie's reputation.

Controls and mitigation

- ➊ Governance framework in place including SVRBC agenda, Plan Zero Working Group and Plan Zero Steering Group.
- ➋ Re-negotiation of Mitie's revolving credit facility, linked to sustainability.
- ➌ Signed up to CDP membership, S&P Global Reporting and third-party carbon verification.

Increases in pricing of greenhouse gas (GHG) emissions

Risk categorisations (type and duration)
Transitional risk – Short to Medium term

Impact

Considerable costs to operating budget. The biggest risk relates to the management of Mitie's fleet and potential rises in taxation on fossil fuels (diesel).

Controls and mitigation

- ➊ Implementation of Plan Zero.
- ➋ Ongoing financial review of GHG related costs.
- ➌ Phasing out of diesel fleet.
- ➍ Ongoing transition to EV fleet.

Changes in customer behaviours resulting in lost opportunities

Risk categorisations (type and duration)
Transitional risk – Medium to long term

Impact

Cost implications if Mitie cannot meet customer demand for evolving service requirements (i.e. to enable customers to meet the impact of climate change on their businesses).

Controls and mitigation

- ➊ Ongoing review of customer behaviours via sustainability governance framework.
- ➋ Ongoing review and development of customer propositions.

Unsuccessful investment in new technologies

Risk categorisations (type and duration)
Transitional risk – Medium term

Impact

New technologies which are later identified as unsuitable or do not deliver against sustainability objectives could lead to financial and reputational damage.

Controls and mitigation

- R&D framework embedded.
- Governance structure in place to review all new technologies.
- Escalation and review process in place.

Changes in awareness negatively impacting public opinion and behaviours

Risk categorisations (type and duration)
Transitional risk – Medium term

Impact

Inability to perform well and/or meet third-party expectations (public, auditors, media etc) will result in reputational damage and impact revenues and profitability.

Controls and mitigation

- Plan Zero initiative.
- Governance framework embedded.
- Ongoing Intelligence Hub monitoring.
- Climate change budget in place facilitating access to 'best in class' resources, accreditations etc.

Potential for litigation if Mitie does not adequately consider or respond to the impacts of climate change

Risk categorisations (type and duration)
Liability risk – Medium to long term

Impact

Failure to comply with future carbon targets and legislative requirements will result in fines leading to financial and reputational damage.

Controls and mitigation

- Subject matter experts appointed to facilitate Group compliance with requirements.
- Internal and external auditing.
- Horizon scanning.

The overview of the short to medium term macro level climate-related opportunities as managed via the climate change risk assessment is shown below:

Opportunity description	Key actions being taken and/or in place
Development of low emission and energy efficiency strategy for Mitie estate.	➤ Carbon Conscious Premises Selection (CCPS) Guide in place detailing minimum standard in respect of new spaces added to Mitie estate. ➤ CCPS checklist in development for use by managing agents to screen all new estate acquisitions. ➤ Ongoing estates review of new climate-related projects.
Minimise resource use through a circular economy embedded into our business supply chain and operations.	➤ Principles of BS8001 adopted. ➤ Partnered with external knowledge share networks and organisations to help develop new resource solutions.
Use of lower-emission sources of energy and development/expansion of low emission goods and services.	➤ Developing plan to decarbonise our estates. ➤ Ongoing energy consumption reporting. ➤ R&D framework in place.
Encouraging agile and flexible working through business processes.	➤ Agile working procedures embedded. ➤ Ongoing stress testing of remote working to ensure adequate coverage.
Access to new markets.	➤ Networks established within business and technology forums. ➤ Ongoing review of markets and trends.
Participation in renewable energy programmes and energy efficient measures.	➤ Energy surveying completed on a number of Mitie sites and optimisations to achieve better efficiencies made. ➤ Further surveying planned for FY23 including Mitie sites which have transferred in from recent acquisitions.
Switching from fossil fuels to low carbon alternatives for fleet operations.	➤ Deployment of EV charging points at Mitie and client sites as well as colleagues' homes. ➤ Signed up to Clean Van Commitment. ➤ Ongoing transition to EV.

Our environment and social value framework continued



Community

Making a positive difference, wherever we operate

Overview

Mitie has a big part to play in the communities in which we operate. We work hard to deliver social value through our own operations and for our customers. We are continuing to integrate the Government's Social Value Model throughout our business. We believe this is key not only for public sector contracts (for which it is a requirement), but for all our future business.

Our ability to deliver social value for customers is a key differentiator and will deliver positive business results – as well as positive social change – in the future.

The Mitie Foundation

The Mitie Foundation is an independent charity, wholly funded by the Mitie Group, that exists to break down perceived barriers to employment for disadvantaged groups within the communities in which Mitie operates. Our focus is on the long-term unemployed, disabled people and those with learning difficulties, veterans, ex-offenders and young people.

In FY22, we delivered four flagship Ready2Work programmes to our charity partners, including a bespoke security programme and an enabled Ready2Work programme. Nearly 70% of those that completed the programme have gone on to gain sustainable employment. Our Ready2Work programme won two awards: Ene's 'Driving Social Inclusion in the workplace' and UK Social Mobility Awards 'Recruitment Programme of the Year'.

We have launched a new careers page on our website, which allows people introduced by Foundation partners to apply for Mitie vacancies. More than 125 colleagues have joined Mitie in various roles including management. The Foundation also offers advice and guidance on effective job search, as well as CV and interview preparation where needed.

Supporting our communities through volunteering

Each salaried colleague has an annual volunteering day we encourage them to use. In FY22, we committed to delivering 12,400 hours of volunteering across communities. We exceeded this target, with colleagues delivering more than 14,650 hours to good causes including the Poppy Appeal, the Career Ready Plus Programme and more recently, the Big Mitie Spring Clean.

In FY22, we launched our Giving Back DoIT platform for colleagues to search a larger number of volunteering opportunities local to them. The digital platform acts as a one-stop-shop for all aspects of Mitie volunteering, including allowing colleagues to record volunteer hours quickly and easily. Our people have continued to show their generosity throughout the year. In FY22, £236,550 was raised for good causes, including Macmillan Cancer Support and refugees from Afghanistan.

Opportunities for ex-military personnel

Mitie continues to push for employment opportunities for ex-service men and women. We set a target for FY22 to employ a minimum 2.5% of ex-service men and women and over 4.0% of Mitie's workforce is ex-military today. We continue to offer our reservist employees paid leave and support. We supported CTP in both Cardiff and Telford for ex-military personnel by participating in their career transition fairs.



£236,550

raised for charity

14,650hrs

volunteered to good causes by our colleagues

70%

of people successfully completing the Mitie Foundation's Ready2Work programme have gone on to sustainable employment

Priorities for FY23

We aim to continue to promote the importance of social value and sustainable operations, not just internally but also across all our contracts. In FY23, we aim to:

- ➊ Continue to support the Mitie Foundation to remove barriers to employment from underrepresented groups and implement this methodology into our contract level hiring processes
- ➋ Tackle economic inequality by placing more emphasis on creating local employment opportunities and training to continue the recovery from the COVID-19 pandemic
- ➌ Further align our volunteering provision directly with our customers' priorities at the community level
- ➍ Support the health and wellbeing of our frontline colleagues through our Employee Assistance Programme
- ➎ Improve workplace inequality and strive to reduce the disability employment gap



Overview

In FY22, we have transformed our supply chain approach to align this function more closely with the business through business partnering, combined with a Centre of Supply Chain Excellence, and a dedicated Reporting and Compliance team.

We have completed integrating the Interserve and Mitie supply chain functions, and then started to upgrade the supply chain across the business. We have reduced our exposure to high-risk subcontractors, whether in terms of financial health, risk or insurance, and now have 88% (by spend) of subcontractors fully accredited on the Alcumus Safe Contractor scheme. We have also re-incorporated the Mitie fleet under our procurement function and rationalised our supplier base to better manage and reduce risk in our supply chain, which now stands at around 12,000 suppliers.

Digital procurement strategy

Our digital procurement strategy went live in FY22, digitising our entire end-to-end supplier journey to make it easier for our suppliers to do business with Mitie, and this has already led to significant efficiencies and positive feedback from our suppliers.

Digital procurement gives us better visibility of the payment process and allows us to fix problems faster. That transparency works both ways as our suppliers can see the progress of their invoices, supporting their business planning. We have rolled out digital purchasing for around £500m payments in FY22 – approximately 30% of our total spend. Currently, over 90% of issued invoices are already being processed in this way, and we aim to move over the outstanding spend during FY23.

Developing our supplier management framework

We have continued to develop our supplier management framework (SMF) over FY22, which manages the performance of our strategic suppliers, building deeper engagement with around 200 strategic partner suppliers. Over the past year, we held more than 300 meetings covering issues including ESG, innovation, and health and safety. We achieved a 35% spend with SMF management in FY22, forecast to reach 37% in FY23, with expected savings of £55m.

Engaging with our supply chain

We have reviewed how we engage with suppliers to ensure more diversely-owned businesses in the supply chain, and sustainability in our supply chain remains a priority. We monitor our spend with diversely-owned suppliers and actively encourage them to respond to RFIs and tenders. In FY22, Mitie joined MSD UK, the UK's leading supplier diversity organisation and foremost accreditation body in the UK (and affiliated globally), which opens our access to a database of properly accredited diverse suppliers.

We continue to communicate with our suppliers through a variety of channels to develop our relationships throughout our supply chain and encourage collaborative working. In February 2022, we launched mitiesuppliers.com, which includes details such as changes to our procurement systems, our ESG policies and expectations, market insight pieces and market reviews. It also acts as a key channel into Mitie for all new suppliers.

Net Promoter Score –
+14 for suppliers scoring Mitie

12,000

suppliers now work with us

Priorities for FY23

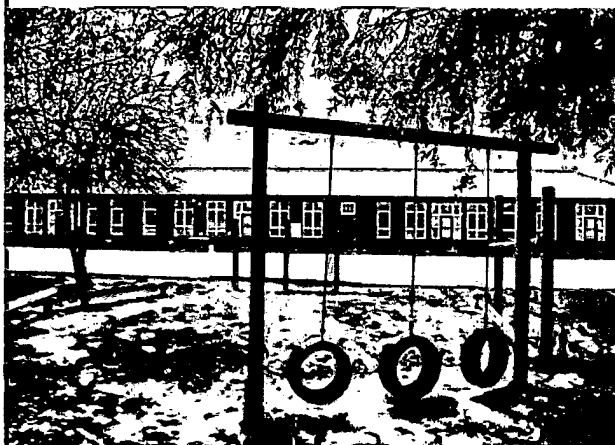
We will continue to leverage our scale in the facilities management market, and focus on supplier compliance, risk management, ethical sourcing and carbon reduction, by:

- ➊ Completing the roll-out of our digital purchaser pay system for all suppliers across our entire spend
- ➋ Leveraging volumes through our planning and size, hedging where necessary to try and mitigate shortages and price inflation
- ➌ Continuing our journey towards full supplier compliance and accreditation, rolling out our supplier health and risk management strategy to cover every supplier and ensure we have a complete picture of supplier risk and financial health
- ➍ Engaging our suppliers on all ESG-related topics and improving the environmental reporting processes to measure, report and influence our Scope 3 emissions



Essex County Council

Working together to make zero carbon happen



1,700,000

kWh of renewable energy generated a year, equivalent to powering 450 homes

180

tonnes of CO₂ a year saved since 2021

46

solar panel installations for council buildings including schools, libraries and children's centres, all managed by Mitie

The journey to Net Zero

Mitie and Essex County Council (ECC) are partners in fighting climate change and reducing carbon emissions, with a focused approach on reaching Net Zero carbon emissions in ECC's core estate by 2030. Over the past five years, we've partnered with ECC throughout its evolving decarbonisation journey, developing and submitting detailed government grant applications worth £7m; reviewing ECC's estate to identify priority sites; creating feasibility studies; securing government funding; and providing turnkey project management services for the installation of a range of energy efficient technology, including solar panels, air source heat pumps and double-glazing.

Using solar to cut energy costs throughout Essex

Solar panels significantly reduce energy costs, offering a low maintenance solution to generate greener energy. In 2021, ECC started its first installation phase, which soon expanded to another 12 schools and 19 core council buildings, including libraries and children's centres. Mitie has installed remote monitoring equipment to track the panel performance, carbon savings achieved and any maintenance requirements. The data is sent to a portal that can be accessed by Mitie, the ECC facilities/energy teams and the schools themselves.

Partnering on a decarbonisation journey

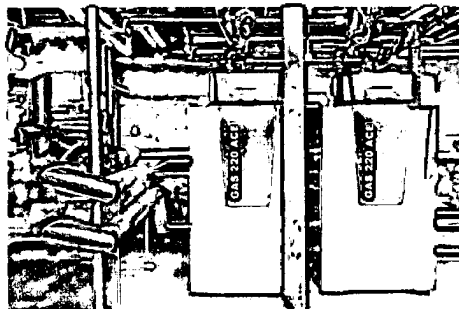
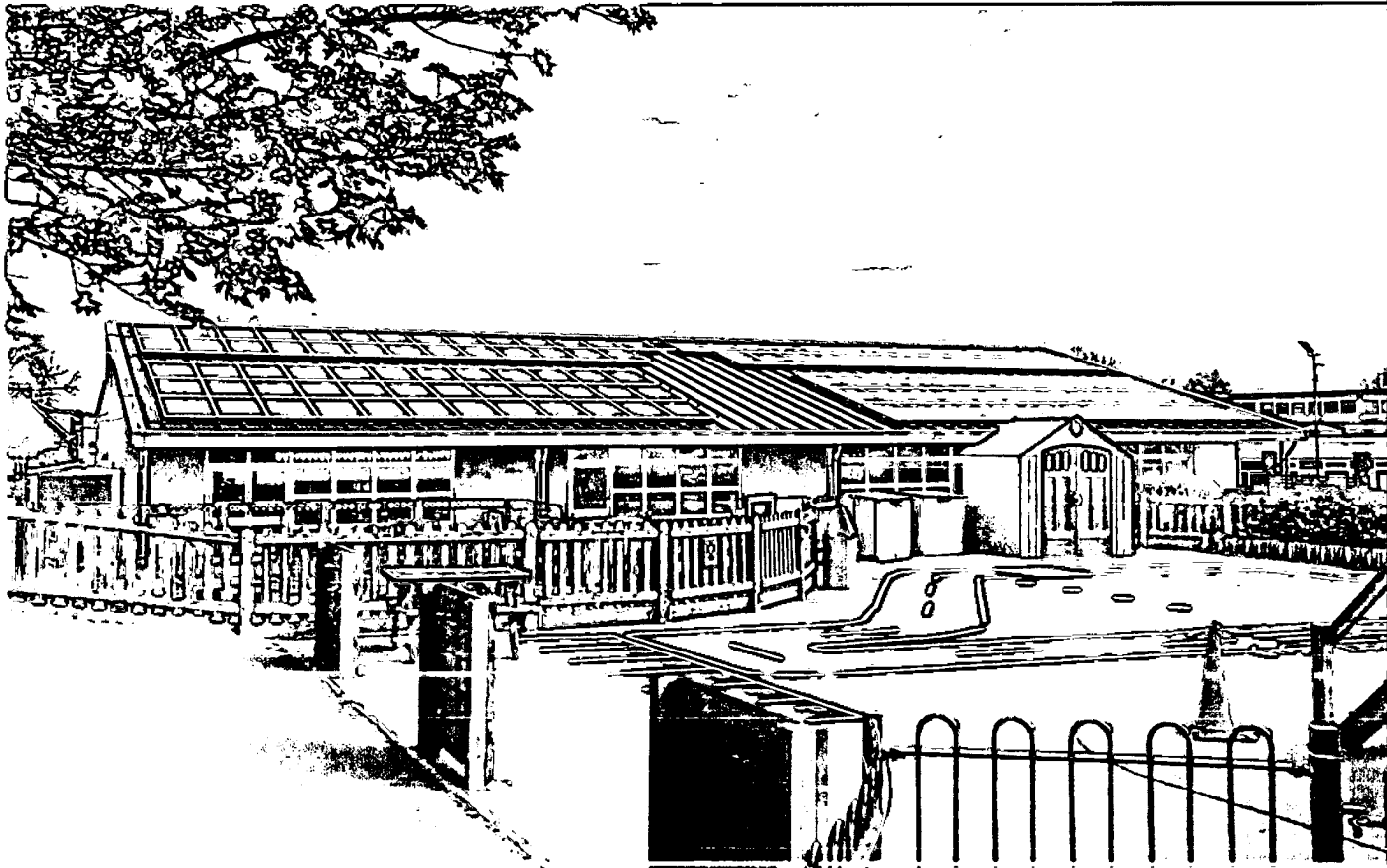
The new solar panels significantly reduce carbon emissions and energy costs for ECC, producing around 1,700,000 kWh of renewable energy every year, equivalent to the energy needed to power 450 homes; saving 360 tonnes of CO₂ and around £280,500, with estimated payback times of less than 10 years.

We have also completed 45 LED lighting projects in core council buildings, saving ECC an estimated £121,000 and 174 tonnes of carbon a year. LED lighting can be up to 80% more energy efficient than traditional lighting, as well as having a longer lifespan, cutting replacement and maintenance costs.

[Link to strategy](#)



Capability enablers – Decarbonisation



Mitie always goes the extra mile and delivers over and above the day job through its commitments to social value, innovation, digital transformation and sustainability, delivering greater value for money and helping us to achieve our wider strategic outcomes in Everyone's Essex – a true partnership approach.

Paul Grick,
Director for Performance,
Investment and Delivery, ECC

Operating review

Our divisional performance

Following the Interserve Facilities Management (Interserve) acquisition Mitie now operates under five divisions, with management expertise aligned along customer and service delivery lines. Interserve was acquired by Mitie on 30 November 2020 and contributed a full twelve months of trading from 1 April 2021 to 31 March 2022, but only four months of trading in the year ended 31 March 2021. The Group disposed of the Document Management business and the operations in the Nordics and Poland in the year ended 31 March 2022. The results of these operations have been removed from Business Services and Technical Services respectively and included within discontinued operations. All financial information reported below is for 'continuing operations' and is stated before other items.

Business Services

Business Services delivers Cleaning, Security and Office Services. Business Services has also been responsible for Mitie's rapid-response COVID-related UK Government contracts across testing centres and quarantine services and, more recently security for hotels accommodating Afghan refugees. On 1 April 2021, Business Services integrated several hundred contracts from the former Business & Industry division of Interserve, including sizeable contracts with the BBC, B&Q and TfL. The Business Services healthcare (hospital) contracts were transferred to Communities from 1 April 2021 to create a focused Healthcare business unit and are therefore excluded from the Business Services comparative figures.

Performance highlights

Business Services, £m	FY22	FY21	Change, %
Revenue	1,522	1,023	49%
Security ¹	1,127	709	59%
Cleaning	395	314	26%
Operating profit before other items	108	48	125%
Operating profit margin before other items, %	7.1%	4.7%	2.4ppt
Total order book	£1.7bn	£1.7bn	–
Number of employees	38,092	40,782	(7)%

¹ Document Management was sold on 30 September 2021 and is excluded from 'continuing operations'. The retained Office Services operations of Vetting and Front of House are reported within Security

49%

Revenue growth

125%

Operating profit before other items growth

£1.3bn

FY22 new contract wins, renewals and extensions

Performance highlights

- Revenue growth of 49% to £1,522m (FY21: £1,023m) including £429m of rapid-response, flexible COVID-related revenue (FY21: £132m); underlying revenue growth of 11%
- Operating profit was 125% ahead of FY21 at £108m, boosted by higher margin short-term, flexible COVID-related contracts
- Up to £1.3bn TCV of new, renewed, or extended contracts including BBC, TfL, JLL, AS Watson, Broadway Bradford and Stansted Airport
- Acquisition of leading Counter Surveillance Measures specialist, Esoteric, on 17 November 2021
- Outstanding Security Performance Awards – Outstanding Contract Security Company (Guarding) (Feb 2022); Fire & Security Matters – Security Guarding Company of the year (April 2022); Cleaning Excellence Awards – Sustainable Company of the Year (Nov 2021)

Operational performance

Business Services had a very strong year supporting the UK Government with rapid response, flexible COVID-related services responding to increased demand for deep cleans from existing customers, and winning new contracts.

COVID-related contracts contributed revenue of £429m in the year (FY21: £132m). Mitie mobilised almost 300 testing centres and mobile sites, assisting in the testing of 12 million members of the public, and employing 10,000 people. In addition, Mitie provided security services to 'Red list' hotels – securing 70 hotels at the peak, with 1,500 officers, and conducted 2.5m home visits for travellers returning from 'Amber list' countries, training 4,000 officers. All of these contracts have now ended.

Business Services won £0.5bn TCV of new contracts and projects, including BAE Systems, Hitachi Rail, Westfield shopping centres, WPP Group and Hyundai, alongside £0.8bn TCV of renewals or extensions, including Marks & Spencer, AS Watson and NFU Mutual.

In line with the Group's strategy to lead in the 'Science of Service', in the second half of the year, Business Services launched 'Mitie Intelligence Services', which is a risk assurance solution that integrates intelligence, technology and people. Intelligence Services supports customers to build risk-based security strategies to protect their businesses. The Cleaning & Hygiene Centre of Excellence was opened earlier this year, showcasing demand-led cleaning through Merlin sensor technology, new technologies, robotics and products such as 'Citrox Protect', which provides cleaning and hygiene reassurance for our customers.

Central Government & Defence (CG&D)

The CG&D business provides facilities management services across central government and defence contracts. FY22 includes a full 12 months of Interserve revenue, whereas FY21 only included the four-month period from 1 December 2020 to 31 March 2021.

Performance highlights

CG&D, £m	FY22	FY21	Change, %
Revenue including our share of joint ventures and associates	669	226	196%
Central Government	379	127	198%
Defence	290	99	193%
Operating profit before other items	38	10	280%
Operating profit margin before other items, %	5.7%	4.4%	1.3ppt
Total order book	£1.6bn	£1.2bn	33%
Number of employees	5,578	5,302	5%

196%

Revenue growth

280%

Operating profit, before other items, growth

£1.0bn

FY22 new contract wins, renewals and extensions

Performance highlights

- Revenue of £669m benefited from in-year contract wins and good growth in project work in the fourth quarter; the prior year reflects the final four months of FY21, which is historically the strongest period for CG&D
- Operating profit of £38m benefited from the increase in higher margin project works in the year, with margins improving to 5.7%
- New contract wins of up to £0.7bn in the year with renewals or extensions worth £0.3bn (100% retention rate)
- CG&D won the best low carbon capital project with Landmarc and Defence Infrastructure Organisation (DIO) at the recent Government Outsourcing Awards. Landmarc designed and built replacement Net Zero accommodation units reducing our customer's energy costs and upgrading ageing assets
- The division also won the IWFM best Collaboration award with DIO for its work on the International Defence Estate

Operational performance

CG&D employs c.5,500 employees across 22 contracts and 30 government departments and agencies, at 3,000 locations across the UK and overseas. This includes the maintenance of the 1% of the UK land mass that is reserved for the defence training estate.

When Interserve was acquired, our focus was on investing in technology and people to deliver operational excellence to our customers. Mitie has introduced Aria, Mozaic and new Azure Secure Cloud infrastructure, and has been rewarded with 100% renewal rates for contracts across CG&D.

CG&D won the DIO Future Defence Infrastructure Services (FDIS) contract across Scotland and Northern Ireland; a seven-year deal worth up to £646m TCV, providing grounds, reactive and scheduled maintenance services.

In FY22 Mitie was awarded the Overseas Prime Contract for Gibraltar, a 7-10 year deal worth up to £155-£200m TCV, providing maintenance and repair to maritime, accommodation, fuel storage and logistics assets. Since the year end Mitie has also been awarded contract extensions in the South Atlantic Islands until 23 April 2025 (TCV £117m), and Cyprus until 21 August 2024 (TCV £140m).

Project work across the Central Government portfolio increased in the final quarter of the year, including for DWP, where Mitie has continued to add services for customers looking to manage 'back to work' initiatives post COVID, and with decarbonisation projects to assist the Government in achieving their 2050 decarbonisation target.

Our 'Mitie First' strategy, insourcing services formerly provided by third parties, resulted in £20m of cross-sell revenue synergies.

CG&D has pre-qualified for the latest (£4bn) framework RM6232 which offers significant opportunities for growth. A number of new bids are in train, on which final decisions are awaited.

Operating review – Our divisional performance continued

Communities

The Communities division comprises the former Interserve Communities division and Mitie's Healthcare business, Essex County Council and PFI contracts. Communities focuses on three sectors: Healthcare, Education and Campus & Critical. A new management team was put in place at the start of the financial year with a focus on growing the division and turning around underperforming contracts.

Performance highlights

Communities, £m	FY22	FY21	Change, %
Revenue	460	265	74%
Healthcare	225	119	89%
Education	129	100	29%
Campus & Critical	106	46	130%
Operating profit before other items	20	16	25%
Operating profit margin before other items, %	4.3%	6.0%	(1.7)ppt
Total order book	£3.7bn	£4.0bn	(8)%
Number of employees	8,513	8,231	3%

74%

Revenue growth

25%

Operating profit before other items growth

£0.1bn

FY22 new contract wins, renewals and extensions

Performance highlights

- Revenue of £460m increased 74% (FY21: £265m) reflecting an uplift from a full 12 month contribution from Interserve contracts
- Operating profit increased to £20m (FY21: £16m) following the inclusion of twelve months of Interserve. However, this is at lower margin which is reflected in the year-on-year margin decline
- New wins and renewals of £0.1bn TCV across Hospitals (John Radcliffe, Oxford) and Education (Swansea University)

Operational performance

The Communities division operates over 100 contracts. Within the former Interserve PFI contracts there are eight underperforming contracts, which impact the overall performance of the Communities division. During FY22, a turnaround plan was implemented, including new account management to oversee an improvement in underlying trading performance alongside longer-term structural changes. Financially these contracts are currently loss-making, and, as highlighted in the FY21 Annual Report and Accounts, provisions have been made for the forecast net losses over the remaining terms of the contracts, which totalled £13m at 31 March 2022 after the utilisation of £5m in FY22. Whilst Communities made good progress in FY22, there is further work to be done to bring the handful of remaining loss-making contracts up to and beyond the 'break-even' point.

Operationally, good progress has been made during the year, with the Communities division focused on implementing standardised Mitie processes into its contracts, particularly across the former Interserve portfolio, and improving customer relationships. This investment has led to improved operational compliance, with compliance performance now in line with the rest of the Group while also reducing the maintenance backlog, predominantly in the former Interserve portfolio, by almost 80%. This investment and the ability to leverage Mitie's Technical Services expertise to deliver operational excellence for our customers was one of the key opportunities to add value when Interserve was acquired.

The division has made good technological progress in FY22 through the 'Science of Service', implementing remote sensor technology (which provides an IT solution for real time updates on cleaning and portering) across five hospital contracts, and introducing robotic cleaning (Watford Hospital) and advanced UV cleaning (Hinchbrook).

During the year the Communities division invested in a new leadership team including a focus on business development and sales, with a particular focus on experience with local authorities where there are good growth opportunities.

Technical Services

Technical Services is a leading supplier of technical services and project delivery to a range of predominantly private sector customers, with an increasing focus on providing customers with solutions to their Green Energy, Decarbonisation, Connected Workspace and Mobile Telecoms challenges. From 1 April 2021, Technical Services incorporated contracts from the former Business & Industry division of Interserve, and Essex County Council and PFI contracts were transferred to Communities. The Technical Services comparative figures have been adjusted accordingly.

Performance highlights

Technical Services, £m	FY22	FY21	Change, %
Revenue	973	751	30%
Maintenance	829	619	34%
Projects	144	132	9%
Operating profit before other items	30	11	173%
Operating profit margin before other items, %	3.1%	1.5%	1.6ppt
Total order book	£1.7bn	£1.6bn	6%
Number of employees	9,029	10,073	(10)%

30%

Revenue growth

173%

Operating profit before other items growth

£1.1bn

FY22 new contract wins, renewals and extensions

Performance highlights

- Revenue of £973m, up 30% as customers recovered from the impact of COVID, the full year impact of revenue from former Interserve Business & Industry contracts, acquisitions and new wins
- Operating profit of £30m almost trebled (FY21: £11m) driven by the increased revenue, cost savings and synergies
- £0.6bn TCV new wins including projects (City of Edinburgh Council and Legal & General); £0.5bn TCV of retentions (Network Rail, Eaton)
- The creation of one of the UK's largest telecoms support services companies following the successful acquisition of DAEL Ventures UK, P2ML (April 2022) and 8point8 (May 2022)
- The acquisition of Rock Power Connections, growing our presence in the provision of electric vehicle charging points and establishing a core competency in the connection of high voltage networks to the grid

Operational performance

Technical Services has been the division most impacted by COVID with a significant decline in variable and project works as buildings remained closed or underutilised. The Maintenance business is now significantly ahead of pre-COVID levels, with a steady improvement in work volumes during FY22 as our customers returned to their places of work and transport providers such as airports and rail networks saw a steady increase in passengers. As highlighted at the half year, the Projects business remained challenging in line with the wider market. As a result, it made slower progress than expected, as material shortages and high material prices caused customers to delay projects meaning that the business is not yet back to pre-COVID levels of activity.

Technical Services continues to be at the forefront of our 'Science of Service' ambitions using our leading edge technology to set us apart from our competitors by optimising employee wellbeing, enhancing estate intelligence and providing smart decarbonisation and green energy solutions. Connected Workspace is a critical component of our new wins and scope expansion with existing customers as they adapt to new, hybrid ways of working. There are now 11,000 desk sensors being remotely monitored to book desks and 78,000 triggered alarms were dealt with remotely – saving engineer journeys. Our UVC disinfection system technology has been installed in ten customers ensuring a safe working environment.

Technical Services won £0.6bn (TCV) of contracts with Costa, BAE Systems and Legal & General, enhanced service offerings to Amazon and Primark and extended terms with Network Rail, Scottish Government, Sky and Red Bull.

Our strategic focus of investing in sectors focusing on high growth businesses such as telecoms services and decarbonisation saw us complete the acquisition of DAEL Ventures UK and Rock Power Connections. Following the acquisition of two other telecoms services companies in early FY23, P2ML and 8point8, Mitie is now one of the largest Telecoms Support Services businesses in the UK, with capability to support all aspects of cell site acquisition, design, construction, and ongoing site maintenance.

The growth of our decarbonisation offering for our customers was enhanced by the acquisition during the year of Rock Power Connections – a high voltage connections and electric vehicle charging installation company. Technical Services has also grown energy-related revenues through decarbonisation projects for Lloyds Banking Group, Rolls-Royce, and Royal Mail.

Operating review – Our divisional performance continued

Specialist Services

The Specialist Services division encompasses Care & Custody, Landscapes and Waste, with the addition of Interserve's Spanish operations.

Performance highlights

Specialist Services, £m	FY22	FY21	Change, %
Revenue	373	264	41%
Care & Custody	136	109	25%
Landscapes	55	50	10%
Spain	105	31	239%
Waste	77	74	4%
Operating profit before other items	33	24	37%
Operating profit margin before other items, %	8.8%	9.1%	(0.3)ppt
Total order book	£0.8bn	£0.7bn	14%
Number of employees	10,118	8,892	14%

41%

Revenue growth

37%

Operating profit before other items growth

£0.3bn

FY22 new contract wins, renewals and extensions

Performance highlights

- Revenue of £373m was 41% higher than the same period last year (FY21: £264m) and operating profit of £33m was 37% ahead of the prior year (FY21: £24m) including a full 12 months of Interserve's Spain operations and good growth across each business unit
- Care & Custody revenue increased by 25%, following new contract wins
- Landscapes won £51m TCV of new contracts or renewals/extensions. This includes £3m of contracts formerly subcontracted by Interserve
- Spain revenue of £105m boosted by full year impact (as prior year comparator only included four months of results), but also good underlying performance due to rapid response COVID-related work at numerous airports
- Waste showed steady growth driven by contract wins and recovery in footfall

Operational performance

Care & Custody contract wins for Dungavel Immigration Removal Centre (IRC) (TCV £66m over eight years) and Derwentside IRC (TCV £11m over two years) were both successfully mobilised in H1 FY22 with service delivery commencing in H2 FY22. During H2 FY22, a contract extension was also secured for Heathrow IRC until November 2023. Within Police Services, in H2 FY22 new contracts were secured with Derbyshire Police, Lincolnshire Police and South West Police consortium (service delivery for all to commence in FY23). Contracts with British Transport Police and Leicestershire Police were successfully renewed in FY22, while extensions were secured for Greater Manchester Police, Cheshire Police, South Wales Police and Staffordshire Police.

These contract wins, renewals and extensions are being driven by our high-quality innovative service offerings which are supported by technology, information sharing and social value offerings. Care & Custody continues to work very closely with the Home Office to ensure a flexible approach to help deal with the challenges in immigration services, including the ramp up of services to deal with the increasing volume of small boat arrivals on the South Coast.

Care & Custody is well placed to benefit from a buoyant pipeline including prisons management, a key growth market in the Justice sector with a total pipeline of £2.5bn. During H2 FY22, Care & Custody commenced the submission of prisons management bid proposals on a targeted basis.

Landscapes reported steady growth in the period, driven by both net wins and the acquisition in the second half of Biotecture, a specialist in designing, building and maintaining 'living walls' for interior and exterior urban landscapes. Landscapes won £33m TCV of new contracts or projects, with £18m of renewals or extensions. This included insourcing £3m of contracts from the former Interserve business, including at DWP and supporting CG&D on the FDIS contract, allowing expansion into Scotland and Northern Ireland with a footprint stretching to 11,500 sites. Renewals in the period included Amazon, Co-op, West Midlands Trains and NHS Property Services. Since joining Mitie, Biotecture has secured £0.3m with Canary Wharf Management associated with the opening of the Elizabeth line, with further works completed for South West Trains, enhancing sustainability at a number of stations.

Spain performed well with revenue and margin ahead of last year benefiting from additional rapid response COVID-related activities, particularly at airport operator AENA.

Waste revenue was 4% ahead of prior year driven by new contract wins for AF Blakemore, testing centres and Magnox, the insourcing of services previously sub-contracted by Interserve, mainly Communities and CG&D such as DEFRA, and additional recovery across contracts as footfall improved. During the year Waste saw a rationalisation of sites across NHS Trust contracts, however new wins with FDIS, BAE Systems, Wincanton, NHS Nottingham and Hammerson are all being mobilised in the first quarter of FY23, supporting future growth.

Finance review



Strong underlying trading performance and higher Interserve contribution, boosted by COVID-related contracts, delivered significant free cash flow and further strengthened our balance sheet.

Simon Kirkpatrick
Chief Financial Officer

Alternative Performance Measures

The Group presents its results as those of continuing operations, before other items. Management believes this is useful for users of the financial statements, providing both a balanced view of the financial statements, and relevant information on the Group's financial performance. Accordingly, the Group separately reports impairment of goodwill, cost of restructuring programmes, acquisition and disposal related costs (including the impairment and amortisation of acquisition related intangible assets), gains or losses on business disposals and other exceptional items as 'other items'.

Financial performance

The reported income statement from continuing operations is set out below:

Continuing operations, £m unless otherwise specified	FY22	Restated FY21 ^{1,2}
Revenue including share of joint ventures and associates	3,996.8	2,528.8
Group revenue	3,903.3	2,499.0
Operating profit before other items	166.9	58.8
Other items	(94.8)	(54.8)
Operating profit	72.1	4.0
Net finance costs	(19.8)	(17.7)
Profit/(loss) before tax	52.3	(13.7)
Tax	(21.0)	(0.4)
Profit/(loss) after tax	31.3	(14.1)
Basic earnings per share before other items	9.2p	3.1p
Basic earnings/(loss) per share	2.2p	(1.3)p

1. The Group disposed of the Document Management business and operations in the Nordics and Poland in H1 FY22. The results of these operations are re-presented within discontinued operations (see Note 5 to the consolidated financial statements).
2. The comparatives for FY21 have been restated for a change in accounting policy related to upfront configuration and customisation costs incurred in implementing Software as a Service (SaaS) arrangements (see Note 1 to the consolidated financial statements).

Revenue

Revenue from continuing operations for FY22 of £3,996.8m, including share of revenue from joint ventures and associates, has increased by 58% compared with the prior year. This significant increase primarily relates to the acquisition of the Interserve Facilities Management (Interserve) business, which contributed 12 months of revenue in FY22 (FY21: 4 months), and increased revenue from the rapid-response COVID-related contracts.

Finance review continued

Excluding Interserve revenue of £1,358.7m (FY21: £449.9m) and COVID-related contract revenue of £448.5m (FY21: £155.3m), revenue from continuing operations has grown by £266.0m (14%) in FY22. This growth has been driven by wins in Business Services and a recovery in Technical Services, which was the division hardest hit by the COVID pandemic in the prior year, albeit it is not yet back to pre-COVID levels. The rapid-response, flexible COVID-related contracts were largely complete by the end of FY22.

Operating profit

Operating profit from continuing operations before other items was £166.9m (FY21: £58.8m), an increase of £108.1m (184%) from FY21. This increase was primarily a result of the full year effect of the acquisition and integration of the Interserve business, with the delivery of £30.2m of associated cost synergies in FY22 (FY21: £5.0m), and an increased contribution from the flexible, rapid-response COVID-related contracts of £59.6m (FY21: £12.0m).

These improvements have been supplemented by a growth in profit from net wins in the year, and have been partly offset by an increase in share-based payments charges for management incentives, reflecting the stronger outlook for the business now that it has emerged from the COVID pandemic. The operating profit margin before other items from continuing operations increased to 4.2% in the year (FY21: 2.3%), due to the growth in higher margin, flexible, rapid-response COVID-related contracts, increased delivery of project works in CG&D, and the ongoing recovery of variable and project works in Technical Services. Excluding COVID-related contracts, the operating profit margin before other items from continuing operations for FY22 was 3.0%.

After accounting for £(94.8)m of other items (FY21: £(54.8)m), operating profit from continuing operations was £72.1m (FY21: £4.0m).

Corporate overheads

Corporate overheads represent the costs of running the Group and include costs for central functions such as commercial and business development, finance, marketing, legal and HR. Corporate overhead costs have increased to £61.4m in FY22 (FY21: £50.3m). The increase reflects the absorption of central costs from Interserve, higher accruals for share-based incentive schemes based on the improved outlook and temporary pay reductions during COVID in the prior period being reinstated.

Other items

Other items, £m	FY22	FY21
Interserve acquisition related costs	(2.4)	(14.8)
Interserve integration costs	(16.2)	(8.8)
Interserve settlement of contractual disputes	9.8	–
Interserve completion accounts adjustment to consideration	(45.6)	–
Interserve amortisation of acquisition related intangible assets	(19.1)	(6.7)
Sub-total – Interserve related other items	(73.5)	(30.3)
Workflow optimisation (Project Forté)	(10.2)	(10.6)
Property transformation	(0.4)	(11.3)
Digital supplier platform	(4.4)	–
Amortisation of non-Interserve acquisition related intangible assets	(2.8)	(2.2)
Other	(3.5)	(0.4)
Sub-total – Non-Interserve related other items	(21.3)	(24.5)
Total other items from continuing operations before tax	(94.8)	(54.8)
Gain on disposal of the Document Management business	16.0	–
Other items related to discontinued operations	1.0	2.9
Total other items before tax	(77.8)	(51.9)
Tax	(2.0)	7.1
Total other items after tax	(79.8)	(44.8)

Other items in FY22 resulted from the latter stages of the Group's transformation programme (primarily Project Forté and the digital supplier platform) and acquisitions, which includes costs associated with the Interserve acquisition and integration, and the gain on disposal of the Document Management business.

The Interserve related other items in FY22 include an adjustment to consideration of £45.6m following the conclusion of the completion accounts process, which is covered further below. Also included are the costs of resources deployed to implement the integration, which make up the majority of the £16.2m of Interserve integration costs, and the amortisation charge of £19.1m related to the reduction in the intangible asset value of the acquired customer contracts and relationships, reflecting the passage of time towards the contracts' forecast expiry dates. The acquisition related costs of £2.4m are one-off professional fees. The £9.8m income is a result of an agreement being reached on certain contractual disputes related to pre-acquisition activity.

Non-Interserve related other items in FY22 include the costs of implementing Project Forté and the digital supplier platform, both of which are critical components of the transformation programme. Project Forté involves the re-engineering of Technical Services' workflow processes, and is ready for deployment with the data cut-over currently ongoing. Both projects will complete in FY23.

Other items from discontinued operations in FY22 relate to the disposal of the Document Management business on 30 September 2021, the disposal of operations in the Nordics and Poland on 1 June 2021 and the settlement of a contractual dispute related to the previous disposal of the Social Housing business. Total consideration for the Document Management business (before debt-free/cash-free and normalised working capital reductions of £3.3m) was £40.0m, which realised a gain on disposal of £16.0m.

Net finance costs

Net finance costs from continuing operations increased by 12% to £19.8m in FY22 (FY21: £17.7m). The increase was driven by a combination of the full year effect of the additional finance costs related to the June 2020 refinancing (which secured a temporary relaxation of financial covenants as a result of COVID) and the accelerated write-off of the associated arrangement fees when this facility was replaced by the new revolving credit facility (RCF), which was signed in October 2021. These higher costs were partially offset by the part-year benefit of the improved terms of the new RCF.

The new £150m RCF, together with the agreed refinancing of the US Private Placement (USPP) notes due to mature in December 2022, are expected to reduce future interest costs by approximately £3m on an annualised basis from December 2022. This will add to the annual savings of approximately £1m related to the planned closure of the Group's customer invoice discounting facility.

Tax

Profit before tax and other items (from continuing operations) of £147.1m (FY21: £41.1m) resulted in a tax charge of £19.0m (FY21: £7.9m), representing an effective tax rate of 12.9% (FY21: 19.2%).

The effective tax rate for FY22 reflects the increase in the rate of UK corporation tax from 19% to 25%, with effect from 1 April 2023, which was substantively enacted during FY22. As a result, deferred tax balances (including those arising from historical Interserve losses) have been recalculated using the higher rate where appropriate, resulting in a £9.0m tax credit before other items related to an increase in net deferred tax assets. If the impact of the

tax rate change was excluded, the tax charge on profit before other items from continuing operations would be £28.0m, representing an effective tax rate of 19.0% which is broadly in line with FY21. The effective tax rate is expected to be below the headline corporation tax rate over the next year, as tax losses are converted into deferred tax assets.

Including other items, the tax charge from continuing operations was £21.0m (FY21: £0.4m), which equates to an effective tax rate of 40.2% for FY22. The tax charge for other items from continuing operations of £2.0m comprises a tax credit of £6.1m related to other items before tax, and a tax charge of £8.1m in respect of the tax rate change resulting in an increase in the deferred tax liabilities related to acquired intangible assets. The tax credit related to other items before tax represents a low effective tax rate of 6.4%, primarily due to the non-tax deductible nature of certain other items charges.

Mitie is a significant contributor of revenues to the UK Exchequer, paying £864.3m in the year (FY21: £640.0m). Of this total, £148.0m relates to taxes borne by Mitie (principally UK corporation tax and employer's National Insurance contributions) and £716.3m relates to taxes collected by Mitie on behalf of the UK Exchequer (principally VAT, income tax under PAYE and employees' National Insurance contributions).

The Group paid corporation tax of £16.2m in the year (FY21: £1.0m), of which £14.1m was paid in the UK and £2.1m overseas.

Joint ventures and associates

Operating profit for FY22 includes Mitie's share of the results of joint ventures and associates that were acquired as part of the Interserve transaction, net of tax. £6.6m (FY21: £1.9m) was reported within operating profit before other items, and a charge of £2.4m (FY21: £1.2m) was reported in other items for amortisation of acquired intangible assets.

Earnings per share

Basic earnings per share before other items from continuing operations increased significantly to 9.2p (FY21: 3.1p). This is as a result of the higher profit before tax, driven by the higher operating profit before other items noted above, combined with the lower effective tax rate.

Basic earnings per share from continuing operations was 2.2p (FY21: loss per share of (1.3)p), with the increase reflecting the factors outlined above, partially offset by the impact of the higher level of other items in FY22.

Return on invested capital (ROIC)

Continuing operations, £m unless otherwise specified	FY22	Restated ¹ FY21
Operating profit before other items	166.9	58.8
Tax ²	(21.5)	(11.3)
Operating profit before other items after tax	145.4	47.5
Invested capital	486.6	576.7
ROIC ³	29.9%	8.2%

- 1 Re-presented for discontinued operations, restated for Software as a Service (SaaS) accounting and invested capital for Interserve restatements.
- 2 Tax charge has been calculated at the effective tax rate for the year on pre-tax profits before other items for continuing operations of 12.9% (FY21: 19.2%).
- 3 The ROIC metric used for the purposes of the Enhanced Delivery Plan (EDP) requires further adjustments under the detailed rules agreed with shareholders.

ROIC (before other items, on continuing operations) has increased to 29.9% in FY22 (FY21: 8.2%), with the increase due to a combination of the significantly stronger operating profit before other items, the lower effective tax rate and the lower invested capital. The lower invested capital primarily relates to the ongoing improvements to working capital made in FY22, and a £45.6m reduction in the receivable related to the Interserve completion accounts process (see below).

Balance sheet

£m	FY22	Restated ¹ FY21
Goodwill and intangible assets	560.2	555.8
Property, plant and equipment	143.9	117.9
Interests in joint ventures and associates	11.9	11.0
Working capital balances	(239.2)	(166.2)
Provisions	(117.0)	(123.6)
Net cash/(debt)	26.7	(86.7)
Net retirement benefit liabilities	(12.2)	(42.5)
Deferred tax	11.1	19.8
Other net assets	40.4	72.0
Total net assets	425.8	357.5

- 1 The comparatives for FY21 have been restated for measurement period adjustments in respect of the Interserve acquisition (see Notes 2 and 30 to the consolidated financial statements) and a change in accounting policy related to upfront configuration and customisation costs incurred in implementing Software as a Service (SaaS) arrangements (see Note 1 to the consolidated financial statements).

Overall, the Group reported net assets of £425.8m at 31 March 2022, which is an increase of £68.3m compared with 31 March 2021, driven mainly by the retained profit for the year from continuing and discontinued operations of £50.7m, which resulted in a significantly improved net cash/(debt) balance, combined with a £30.3m reduction in net retirement benefit liabilities.

Property, plant and equipment has increased by £26.0m, primarily as a result of entering leases for new properties, including the new Technical Services Operations Centre (TSOC) in Manchester. The majority of this increase were not cash costs in FY22, as they relate to future lease commitments which must be recorded as lease liabilities on the balance sheet under IFRS 16, together with the related assets. The new leases therefore have no initial impact on net assets. The reduction in working capital balances and net retirement benefit liabilities, together with the changes related to the acquisition of Interserve, are explained below.

Acquisition of Interserve

The acquisition of Interserve was completed on 30 November 2020. At 31 March 2021, provisional values were reported for the acquisition accounting, including £3.3m for goodwill, which was based on £138.7m for the acquired identifiable net assets and liabilities on the balance sheet, and total consideration of £142.0m.

The £142.0m comprised £199.6m of consideration paid to the seller (£105.0m cash paid and £94.6m shares issued) less an adjustment for management's best estimate of the amounts due back to Mitie of £57.6m (subsequently revised down to £52.7m). The £57.6m was the amount claimed by Mitie under the completion accounts mechanism in the Share Purchase Agreement (SPA), for which a corresponding receivable was recognised on the balance sheet at 31 March 2021. Given that the SPA terms related to the completion accounts mechanism were complex and would be the subject of a commercial negotiation and, in the absence of an agreement, an expert determination process, the estimated value of the receivable was inherently uncertain. As previously disclosed, it was therefore recognised that the final amount agreed could be materially different from the estimate.

Under IFRS, the value of goodwill must be finalised within a 12-month measurement period from the date of acquisition (the Measurement Period), which was 29 November 2021 in the case of Interserve. Adjustments were made during the Measurement Period reducing the value attributed to the net assets acquired by £7.7m, from £138.7m to £131.0m. This change was predominantly due to an increase in provisions for certain PFI contracts, where new information had been received about facts and circumstances that existed as at the acquisition date.

Finance review continued

The provisional value of consideration was also revised during the Measurement Period, reducing the £57.6m completion accounts receivable to £52.7m, with a corresponding adjustment of £4.9m being made to increase the total consideration from £142.0m to £146.9m.

As a result of these two adjustments, to reduce the value of the net assets acquired by £7.7m, and to increase the consideration by £4.9m, goodwill on the acquisition of Interserve was increased by £12.6m to £15.9m.

Subsequent to the end of FY22, the expert determination relating to the £52.7m completion accounts claim has concluded. Following the expert's determination, for which the expert sought a legal opinion in relation to the interpretation of the complex SPA requirements, an agreement was reached for the seller to pay £7.1m to Mitie, of which £1.1m was settled during H2 FY22 and £6.0m was settled in May 2022. As the Measurement Period had already ended, the consequent £45.6m reduction in the receivable could not be adjusted against acquisition goodwill, and so has been recognised as a charge in the consolidated income statement and classified as other items.

Further details on the acquisition of Interserve are set out in Note 30 to the consolidated financial statements.

Change in accounting policy

During FY22, Mitie has changed its accounting policy such that distinct upfront configuration and customisation costs incurred in implementing Software as a Service (SaaS) arrangements are generally now recognised as operating expenses when the services are received, rather than capitalised as intangible assets.

This change in accounting policy follows the International Financial Reporting Interpretations Committee (IFRIC) agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangement.

As a result of the change in accounting policy, the income statement and balance sheet for prior periods have been restated, resulting in an increase in operating profit and profit after tax of £0.5m and £0.4m respectively for FY21, and a reduction in intangible assets of £5.7m and £5.2m at 1 April 2020 and 31 March 2021 respectively. As a consequence of the accounting policy change, the restated cash generated from operations for FY21 decreased by £0.9m, with a corresponding decrease in cash used in investing activities.

Provisions

Provisions at 31 March 2022 largely comprise contract specific costs of £56.3m, the insurance reserve of £26.0m and pension provisions of £23.7m. Provisions have reduced by £6.6m during the year, largely reflecting the utilisation of provisions related to contract specific costs.

Retirement benefit schemes

Net retirement benefit liabilities have reduced to £12.2m at 31 March 2022 (31 March 2021: £42.5m), principally due to Mitie's contributions, scheme investment returns and an increase in the discount rate related to movements in corporate bond yields.

The net liabilities at 31 March 2022 include a net accounting surplus of £1.6m (FY21: surplus of £3.0m) for a scheme acquired with the Interserve business. There is also an accounting surplus related to a pension scheme within a joint venture acquired with Interserve, Mitie's £3.8m share of which is reported within interests in joint ventures and associates on the balance sheet.

The latest funding valuation of the Mitie Group defined benefit scheme as at 31 March 2020, indicated an actuarial deficit of £92.1m. The Group has agreed a deficit recovery plan with the trustees totalling £92.8m over seven years, of which £21.5m had been paid to 31 March 2022.

An initial funding valuation as at 31 December 2020 for the main scheme acquired with Interserve was received during the year, which indicated an actuarial deficit of £1.6m.

Government support

During FY22, the Group participated in the UK Government's Coronavirus Job Retention Scheme (CJRS) until the scheme finished on 30 September 2021. However, in FY22 the Group fully repaid sums received under the CJRS relating to all furloughed colleagues employed directly at Mitie's own operations (£4.1m), which was accrued in FY21. No further claims were made in respect of these colleagues during FY22.

Cash flow and net debt

£m	FY22	Restated FY21 ^{1,2}
Operating profit before other items (continuing operations)	166.9	58.8
Add back: depreciation, amortisation & impairment	51.6	45.1
EBITDA before other items (continuing operations)	218.5	103.9
Other movements (including other items)	(14.6)	(28.6)
Working capital movements	60.0	(36.4)
Cash generated from operations	263.9	38.9
Capex, capital leases, interest & other	(131.1)	(63.4)
Free cash inflow/(outflow)	132.8	(24.5)
Rights issue	–	190.4
Acquisitions & disposals	5.0	(84.0)
Dividend paid	(5.7)	–
Lease liabilities & other	(18.7)	(15.6)
Decrease in net debt during the year	113.4	66.3
Closing net cash/(debt)	26.7	(86.7)
Average net (debt)	(24.7)	(47.1)
Leverage ratio ³	0.1x	0.5x

- The Group disposed of the Document Management business and operations in the Nordics and Poland in H1 FY22. The results of these operations are re-presented within discontinued operations.
- The comparatives for FY21 have been restated for a change in accounting policy related to upfront configuration and customisation costs incurred in implementing Software as a Service (SaaS) arrangements (see Note 1 to the consolidated financial statements).
- Leverage ratio is calculated as average daily net debt/EBITDA before other items on continuing operations.

Free cash inflow for FY22 was £132.8m, an increase of £157.3m compared with FY21. This significant improvement was driven by operating profit before other items, which increased by £108.1m due to the factors noted above, and continued improvements in working capital.

The cash inflow from working capital of £60.0m in FY22, compares favourably with an outflow of £36.4m in FY21. This improvement was driven primarily by a two-day reduction in days sales outstanding (DSO) in the year (approximately £29m inflow), following ongoing improvements to our application billing and aged debt reporting processes, an increase of approximately £10m in the accrual for incentives as a result of the strong Group performance, and a small cash inflow from working capital as a result of the overall growth in the business (approximately £8m impact). The customer invoice discounting facility gave rise to a net £12.8m cash inflow due to the timing of receipts, partially offset by a reduction in utilisation as part of the wind down to closure of the facility.

These improvements within cash generated from operations were partially offset by cash outflows from 'Other movements' and 'Capex, capital leases, interest & other'.

Other movements of £14.6m include a cash outflow from other items of £26.8m, which largely relates to incremental roles and professional fees associated with implementing the Interserve integration, Project Forté and the digital supplier platform, and professional fees related to other acquisitions. This is partially offset by the add back of the non-cash share-based payments expense.

Capex, capital leases, interest and other resulted in a cash outflow of £131.1m. Capex of £35.6m is higher than in the prior year due to Interserve integration spend and Project Forté capex. Capital lease repayments have increased by £5.8m to £33.9m in the year as a result of the increase in the size of the vehicle fleet post-acquisition of Interserve, and interest paid of £17.5m has remained broadly flat year on year. Tax paid in the year was £16.2m.

Capex, capital leases, interest and other also includes a £13.8m cash outflow related to the purchase of 22.9m of Mitie's own shares, for the employee benefit trust (EBT), related to the expected future vesting of share-based payment schemes.

The acquisitions and disposals in FY22 resulted in a net inflow of £5.0m, with the cash inflow from the disposal of the Document Management business (gross proceeds of £40m before debt-free/cash-free and normalised working capital reductions of £3.3m) more than offsetting the cash outflow on the acquisitions of DAEL Ventures UK, Rock Power Connections, Biotecture and Esoteric.

The interim dividend declared for H1 FY22 amounted to £5.7m and was paid in February 2022.

Lease liabilities and other movements of £18.7m for FY22 largely relate to lease liabilities for new properties, including the new TSOC in Manchester. Other movements in FY21 primarily comprised lease liabilities of £14.2m acquired with the Interserve business, such as the vehicle fleet.

In the first half of FY23, a net cash outflow is expected as a result of unwinding the customer invoice discounting facility (see below), accounting for the three new acquisitions, paying the dividend and commencing the share buyback programme.

Net debt

Average daily net debt of £24.7m for FY22 was £22.4m lower than in FY21, despite the £91m benefit in FY21 of taxes deferred under HMRC's 'Time To Pay' (TTP) scheme (which were repaid by the end of FY21). Excluding the benefit of TTP, average net debt in FY22 improved by £113m.

This resulted in a leverage ratio (average daily net debt / EBITDA before other items on continuing operations) of 0.1x for FY22 (FY21: 0.5x).

Average net debt will increase in FY23 as a result of closing the customer invoice discounting facility and implementing the acquisition, dividend and share buyback plans.

The Group reported closing net cash of £26.7m at 31 March 2022 (FY21: net debt of £86.7m), reflecting strong cash generation from the business in the year.

Total Financial Obligations (TFO)

£m	FY22	FY21
Net (cash)/debt	(26.7)	86.7
Customer invoice discounting facility	44.5	51.7
Net retirement benefit liabilities	12.2	42.5
Total Financial Obligations (TFO)	30.0	180.9

TFO for FY22 fell significantly, benefiting from strong cash generation from the enlarged business, together with a reduction in the net retirement benefit liabilities.

Since year end, the Group has begun to wind down its customer invoice discounting facility, as part of its intention to simplify its financial arrangements and ensure its facilities are used as efficiently as possible. While TFO will remain broadly unchanged, this is expected to increase average net debt by approximately £45m and reduce finance costs by approximately £1m each year. In addition, this is expected to increase the Group's reported DSO by approximately 4 days.

Liquidity and covenants

At 31 March 2022, the Group had £301.5m of committed funding arrangements. These comprised a £150.0m RCF, which was signed in October 2021 with a maturity date of 2025, and £151.5m of USPP notes. In November 2021, a delayed funding agreement was entered into for the refinancing of the £121.5m USPP notes due to mature in December 2022, with £120.0m of new notes to be issued on more favourable terms, with 8-12 year maturities, commencing in December 2022. The remaining £30m of USPP notes are due to mature in December 2024.

With effect from 10 June 2021, DBRS Morningstar assigned Mitie a credit rating of BBB with a 'stable' outlook.

Under the terms of Mitie's new and renegotiated facilities, Mitie's two key covenant ratios are now calculated on a post-IFRS 16 basis, with appropriate adjustments for leases. The covenant ratios are leverage (ratio of consolidated total net borrowings to adjusted consolidated EBITDA) and interest cover (ratio of consolidated EBITDA to consolidated net finance costs), with a maximum of 3.0x and minimum of 4.0x respectively.

At 31 March 2022, the Group was operating well within these ratios at <0x covenant leverage and 16.2x interest cover. A reconciliation of the calculations is set out in the table below:

£m	FY22	FY21
Operating profit before other items¹	169.8	63.4
Add: depreciation, amortisation & impairment ¹	51.8	46.9
Headline EBITDA¹	221.6	110.3
Add: covenant adjustments ²	19.9	22.2
IFRS 16 EBITDA adjustment ³ (FY21 only)	–	(28.0)
Leases adjustment ⁴ (FY22 onwards)	(36.3)	–
Consolidated EBITDA (a)	205.2	104.5
Full-year effect of acquisitions & disposals	(2.0)	23.4
Adjusted consolidated EBITDA (b)	203.2	127.9
Net finance costs¹	19.7	17.4
Less: covenant adjustments	(3.0)	(1.8)
IFRS 16 finance costs adjustment ³ (FY21 only)	–	(3.3)
Leases adjustment ⁵ (FY22 onwards)	(4.0)	–
Consolidated net finance costs (c)	12.7	12.3
Interest cover (ratio of (a) to (c))	16.2x	8.5x
Net (cash)/debt	(26.7)	86.7
Impact of hedge accounting and upfront fees	1.5	2.8
IFRS 16 net debt adjustment ³ (FY21 only)	–	(106.4)
Leases adjustment ⁶ (FY22 onwards)	(122.5)	–
Accounting policy change for recognition of BACS	–	(5.6)
Consolidated total net (cash) (d)	(147.7)	(22.5)
Covenant leverage (ratio of (d) to (b))	< 0x	< 0x

- Continuing and discontinued operations.
- Covenant adjustments to EBITDA relate to share-based payments charges, and pension administration expenses and past service costs.
- IFRS 16 adopted in financial covenants from FY22 onwards.
- Leases adjustment for EBITDA relates to depreciation charge for leased assets and interest charge for lease liabilities.
- Leases adjustment for net finance costs relates to interest charge for lease liabilities.
- Leases adjustment for net cash relates to lease liabilities.

Engineering more fulfilling careers for our apprentices



1,000+
apprentices working
across Mitie

50
different apprenticeship
programmes at Mitie

£1.1 million
Mitie has committed to gift its surplus
Apprenticeship Levy funds to SMEs
across England

A change of perspective

Evie was working in a helpdesk position serving one of our customers – a global automotive manufacturer. During the first COVID-19 lockdown in 2020, her role changed and she found herself working more closely with the engineers. She became really interested in the problem-solving aspects of their role, and after some reflection she decided she wanted a career change – and to become an engineer herself.

Learning and earning

Evie put forward her idea at one of her regular MiReviews and her line managers supported her to apply for an apprenticeship. Evie is now a Maintenance and Operations Engineering Technician Apprentice at Mitie – and loving her new, hands-on role. She shadows electrical and mechanical engineers, learning how they solve a wide variety of problems and keep customers happy. She also does formal work in the classroom shared with other female engineering apprentices, two of whom are also from Mitie. Evie loves being an apprentice, and particularly values the fact that she is being paid to learn.

Investing in the future

For Mitie, stories like Evie's are common. We recognise the vital importance of apprentices in sectors like engineering; if we fail to recruit them, then we miss the opportunity for experienced engineers to pass on their skills and knowledge to a new generation. We also see apprenticeships as a great way to bring more diversity into sectors that have traditionally been very homogenous.

[Link to strategy](#)

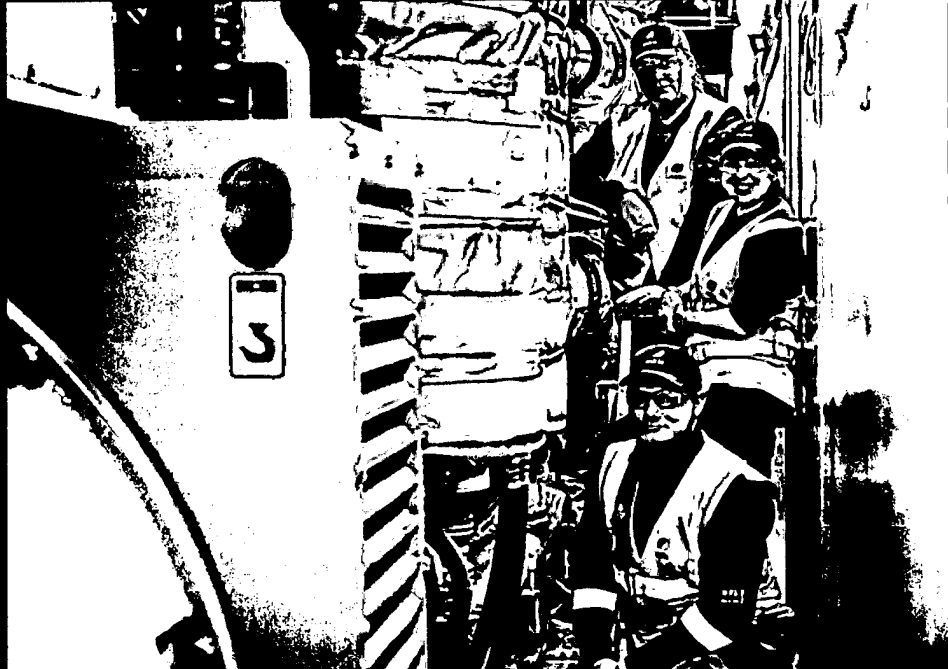


Capability enablers – 'Great place to work'



Leaving a desk job and getting into a hands-on problem-solving role has been great, and just what I hoped it would be. The variety is my favourite part of the job, along with getting to see what the customer does on the shop floor as they make the cars, and ultimately making the customer happy!

Evie Maloy,
Maintenance and Operations Engineering
Technician Apprentice, Mitie



Principal risks and uncertainties

Effective risk management

Our risk management approach

During FY22, Mitie's approach to risk management has continued to advance. The recent launch of Mitie's automated risk management tool has enabled full transparency of risks across the Group and ensured that a substantially enhanced approach to risk management is adopted throughout the business. More information is available on page 68.

Mitie's risk management process is simple and aligned with the Group's operating model. Each business area is responsible for the continual management of existing and emerging risks, both in the context of threats and opportunities.

The following points are pertinent to the compilation of the Group's principal risks and uncertainties:

- ➊ The Board is responsible for clearly defining the level of risk exposure Mitie is willing to take, and for ensuring that the activities undertaken to achieve the Group's strategic objectives are commensurate with the risk appetite. The Board is also responsible for monitoring the amount of risk being taken. All principal risks have a level of appetite set which helps determine the actions and resources required to mitigate them.

- ➋ Mitie's risk management structure is designed to ensure a consistent approach to the identification, assessment, monitoring and effective mitigation of risks across the business. All risks are reported against a set of criteria, which consider the potential likelihood and consequence should a risk be realised.
- ➌ Each business unit, function, project and account maintains a detailed risk register via Mitie's automated risk management tool, which includes both risk controls and mitigation measures, and is approved by respective leadership teams.
- ➍ Mitie has a rigorous risk treatment mechanism in place to facilitate the correct management of risks where a residual risk score is identified as being over the stipulated threshold in terms of either tolerance and/or risk appetite.
- ➎ Risk registers are automated and subject to continual management reviews.
- ➏ The Insurance team plays a pivotal role in assessing key exposures and ensuring appropriate risk transfer is in place for insurable risks.
- ➐ Risk management is approached in a proactive manner making full use of Mitie's Intelligence Hub, which assists by assessing threats and identifying potential issues.

- ➑ Mitie's internal and external environments are continuously scanned and monitored to ensure that any new or emerging risks are identified in a timely manner and responded to appropriately.
- ➒ Mitie actively encourages and facilitates a learning culture in respect of risk management to ensure that the Group constantly improves, remains resilient and adapts to the continually evolving external environment. In FY22, Mitie has continued to take the learnings from the evolving COVID-19 pandemic.
- ➓ The Group operates in accordance with ISO 31000 – Risk Management Guidelines – and will be seeking formal certification validating this in FY23.
- ➔ Principal risks are subject to a thorough review biannually (for the half-year and full-year financial reporting), with quarterly updates feeding into the Group Risk Committee for consideration. The Board and Audit Committee are actively engaged throughout the process and provide challenge. All outputs from this review are signed off by the Board. The principal risks are shown on pages 68 to 77.
- ➕ In assessing Mitie's long-term viability, consideration is given to the emerging and principal risks facing the Group. The Viability Statement is found on page 83.

Changes to our risk profile

Throughout FY22, Mitie has operated against a backdrop of continual uncertainty. The external landscape has changed rapidly due to the knock-on effects of COVID-19, Brexit, and the intensifying focus on climate change, while more recently this has been compounded by macroeconomic and geopolitical uncertainties.

The recovery of economic activity post COVID-19, has significantly increased inflation levels, increased global supply chain disruption, and in some circumstances resulted in significant legislative changes, all of which have the potential to impact the Group's operations.

The following changes have been made to Mitie's principal risk profile owing to this evolving external landscape:

- ➖ Risks that were not previously faced by the Group, because the risks are associated with changes in the Group's operations.

As a result of this review, two new principal risks have been introduced, namely growth through acquisitions, and political and economic uncertainties.

Emerging risks

In addition to understanding the risks that Mitie currently faces, there is a continual review of emerging risks undertaken to ensure the Group remains operationally resilient and future strategic planning is not compromised. This review covers both internal and external environments.

Current emerging risks being monitored include:

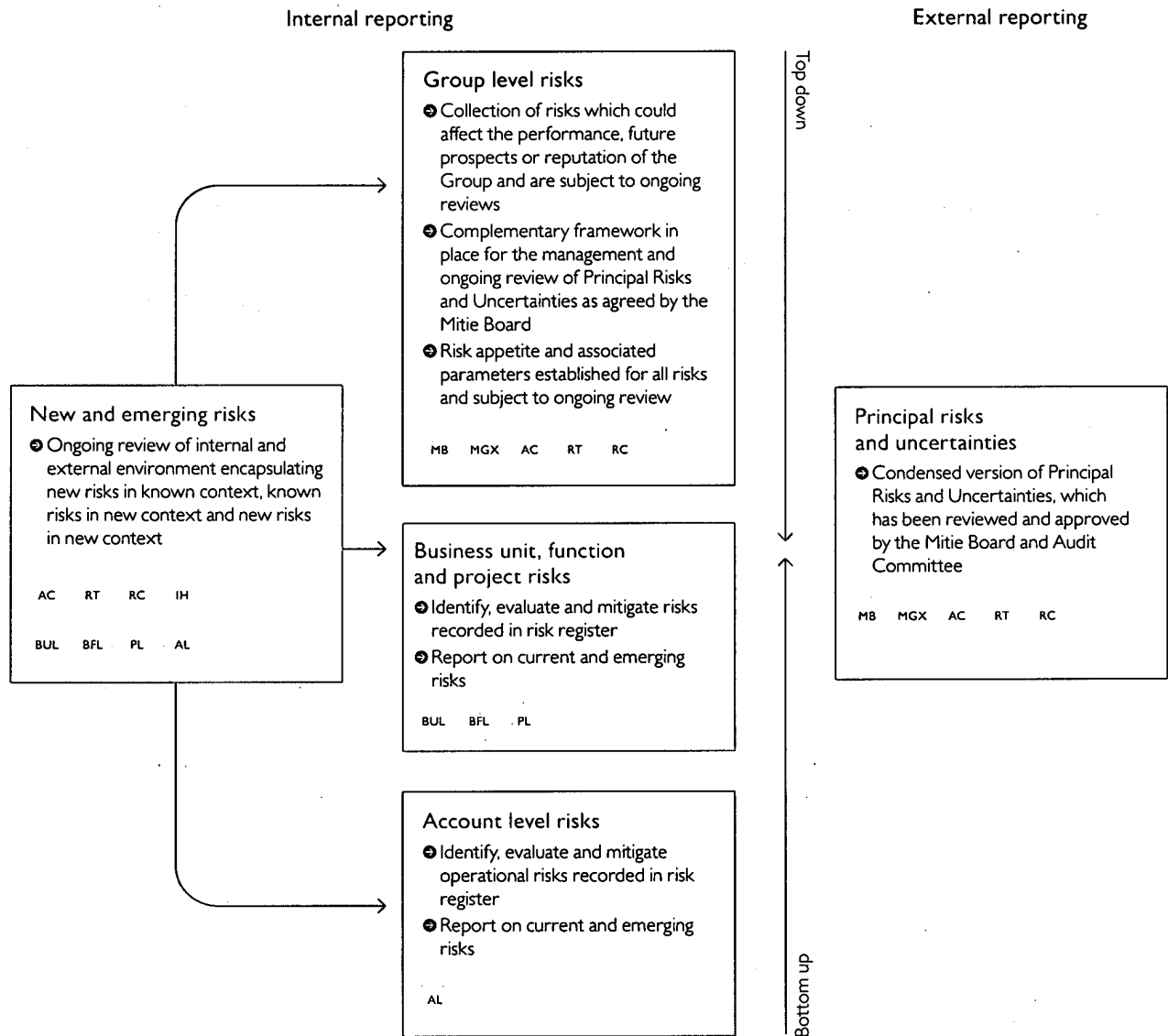
- ➗ The evolving complexity and sophistication of cyber-related attacks and ransomware that could directly impact Mitie, customers or third parties involved in Mitie operations.
- ➘ The potential for an insolvency wave and the impact this could have on customers and third parties involved in Mitie operations.
- ➙ The impact of regulatory changes, such as the potential for new measures related to audit, corporate reporting and corporate governance.

Principal risk:	Annual trend as at 1 April 2022:
Cyber security and data management	Increased net risk exposure owing to a material increase in cyber-attacks during FY22.
Health, safety and environment	Increased net risk exposure owing to increased project/construction, design and management (CDM) related activities combined with continued uncertainty relating to COVID-19.
Employees	Increased net risk exposure owing to ongoing labour market pressures and inflation.
Third-party management	Increased net risk exposure owing to material price rises, an increase in the number of suppliers following the integration of Interserve Facilities Management (Interserve), combined with issues from COVID-19 and Brexit, which continue to compound the risk.

During FY22, Mitie has retired the principal risk relating to the Interserve FM integration following the successful completion of all integration activities. In FY22 Q4, the Group undertook a thorough review of the internal and external landscape looking at a series of risks and opportunities across a number of scenarios including:

- ➚ New risks that have emerged in the external environment but are associated with the Group's existing strategy.
- ➛ Existing risks that were already known to the Group but have developed or been triggered by changed circumstances.

Our risk management framework



Contributors key:

MB	MGX	AC	RT	RC	IH	BUL	BFL	PL	AL
Mitie Board	Mitie Group Executive	Audit Committee	Risk Team	Risk Committee	Intelligence Hub	Business Unit Leadership Team	Business Function Leadership Team	Project Leadership Team	Account Leadership Team

Principal risks and uncertainties continued

Managing risk: transforming risk management through the use of automation

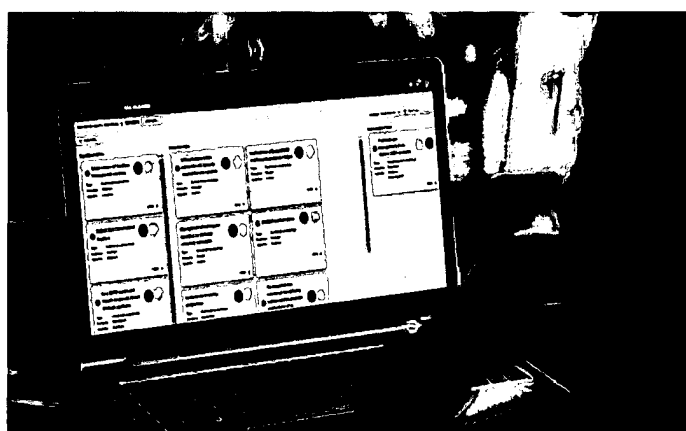
In FY22, the Group embarked on a project to refine risk management across the business through the use of automated technology. The ambition was to create software which would support all Mitie business areas by providing a means for colleagues to define, maintain and manage their respective risks, removing reliance on locally stored templates and laborious manual intervention, as well as provide the much-needed oversight of Group-wide risks, enabling enhanced monitoring and facilitation of corporate governance requirements.

In FY22 Q4, this project concluded with the successful launch and roll-out of Mitie's own automated risk management platform. This new technology has already resulted in a number of benefits, which are readily available at the click of a button. These include the ability to:

- ➊ Access real time risk profiles across the Group.
- ➋ Cascade risk information to all Mitie business areas. Similarly, business areas can escalate risk information ensuring that the correct management controls are put in place as soon as reasonably practicable.

- ➌ Automate review of all hazard/pure risks so that the Insurance team can ensure appropriate coverage.
- ➍ Examine all risks in line with Mitie's risk appetite framework. Where risks exceed the thresholds, an automated alert will mandate the completion of additional risk mitigation measures.
- ➎ Access climate change risks as well as all other risks and opportunities which could impact Mitie's ESG agenda.

- ➏ Demonstrate full compliance with legislative requirements as well as those associated with ISO 31000:2018 Risk Management.
- ➐ Support strategic, tactical and operational decision-making.
- ➑ Facilitate risk reviews at all levels including overarching principal risk reviews.



1 Economic and political uncertainties

An inability to quickly identify and effectively respond to the risks posed from either geopolitical or macroeconomic matters could adversely impact Mitie. A sudden change in market conditions such as an economic slowdown or significant political uncertainty, either nationally or globally, could have a negative impact on the demand for the Group's services.

Mitie's performance may be affected by general economic conditions and other financial and political factors outside the Group'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 Group's financial performance.

Post COVID-19, demand for goods and services and economic growth has started to recover. However, this recovery has caused prices to increase due to global supply and demand issues, and such pressures may continue in the medium term. Recent political conflicts have compounded the risk further with additional price increases being experienced, for example in relation to fuel and energy.

Mitie drives most of its revenue from a client base in the UK, 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.

Impacts on strategic pillars:



Grow
Mitie



Margin
enhancement



Generate
cash



Capability
enablers

Change in year:



NEW

Controls and mitigating actions

- ➊ Mix of long-term contract portfolio in both the public and private sectors.
- ➋ Continual development of new and innovative solutions via Connected Workspace.
- ➌ Focus on higher margin growth opportunities.
- ➍ Regular reviews of the sales pipeline.
- ➎ Increasing spread of client base, reducing reliance on individual customers.
- ➏ Strategic account management programme.
- ➐ Dedicated Finance, Risk and Intelligence Hub specialists scanning environment.
- ➑ Utilising contract mechanisms to recharge cost increases.
- ➒ Digital supplier platform (DSP) providing greater visibility of and ability to manage supply chain.
- ➓ Leveraging buying power to help mitigate the increase in cost of goods and services.

Future plans

- ➊ Continuous horizon scanning including via Intelligence Hub which issues regular alerts to teams on potential threats and significant events.
- ➋ Ongoing review of market conditions.

2 Climate change and social impact

An inability to quickly identify and effectively respond to the challenges posed by climate change could hinder the Group's transition to a lower-carbon business, result in significant business interruption and/or compromise new opportunities for growth. Furthermore, a failure to appropriately consider the environmental and social impact of Mitie'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 Mitie's reputation.

During FY22, Mitie's commitment to meeting its sustainability pledges pertaining to fleet, energy use and waste continued, as well as its commitment to setting a science-based target. The latter defines and promotes best practice in emission reductions and Net Zero targets in line with climate science for the Group's Net Zero scope 3 emissions. Information on achievements to date is detailed within the ESG section of this Annual Report.

The Group remains committed to leading the charge on environmental sustainability and recognises that the scale and pace of adaptation will continue to accelerate. For FY23, the Group has highlighted three challenges that will be confronted. Firstly, getting sustainability to the frontline, embedding it into everything Mitie's 72,000 colleagues do and changing mindsets so that everyone considers sustainability in everything they do; secondly, addressing the looming skills shortage through the continued development of a sustainable jobs framework; and thirdly, focusing on UK carbon nature credits, which will be limited, and tackling any remaining carbon through the use of more direct action.

Mitie continues to monitor developments in relation to climate change and sustainability, adopting a risk-based approach. The Group has a live Climate Change risk register in place, which is regularly reviewed and consulted on as detailed within the TCFD. For more information on how the Group is responding to this risk please refer to the Social Value & Responsible Business Committee report and ESG section of this Annual Report.

Impacts on strategic pillars:



Grow
Mitie



Capability
enablers

Change in year:



Unchanged

Controls and mitigating actions

- 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). Mitie has nine buildings that are decarbonised and has transitioned over 2,200 vehicles to electric (33% of Mitie's fleet).
- Social Value & Responsible Business (SVRB) Committee – five meetings were held in FY22, chaired by Non-Executive Director Philippa Courtie.
- Environmental Management System ISO 14001 and Energy Management System ISO 50001.
- Climate change risk assessment maintained and approved by the SVRB Committee.
- Key policies and associated operating procedures in place.
- Use of inhouse subject matter experts specialising in an array of topics including energy, waste, biodiversity, procurement and fleet.
- Regular testing of crisis management and business continuity plans.
- Winter and summer preparedness planning at account level.
- Ongoing reviews of Planned Preventative Maintenance (PPM) 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 – launch of Giving Back, Mitie's employee volunteering programme.
- Active apprenticeship scheme across the Group, training Mitie colleagues to enhance operational delivery and address skills gaps.

Future plans

- Promote sustainable thinking throughout the Group and increase awareness of the climate crisis and social value.
- Continue to decarbonise Mitie operations through the elimination of fossil fuels.
- Encourage the supply chain to align themselves to Mitie's carbon reduction journey.
- Train Mitie colleagues in all aspects of sustainability and fill the skills gap.

Principal risks and uncertainties continued

3 Cyber security and data management

In the normal course of business, Mitie collects, processes and retains sensitive and confidential information about its customers, employees and operations. Hacking, phishing attacks, ransomware, insider threats, physical breaches or other actions may cause this confidential information to be lost or misused. Any data loss could affect client delivery operations and may result in a major data breach leading to fines, remediation costs and reputational damage.

The data held by Mitie continues to be one of its most important assets and includes information concerning its business operations, employees, customers, suppliers and others. Mitie needs to maintain adequate controls to mitigate risks associated with loss or theft of data which would damage its reputation with customers and potentially result in significant fines from regulators.

During FY22, there was a material increase in cybercrime nationally and internationally as criminals sought to exploit security weaknesses exposed by operational disruptions, with an increasing threat to companies including Mitie. The Group continues to monitor and act on any suspicious activity, wider trends in technology as well as information and guidance from the National Cyber Security Centre to ensure its resilience.

Mitie acknowledges that the risks posed by cybercrime will intensify in response to growing digital dependency. Mitie is continuing to invest in technology to improve the security of its business. Mitie also continues to maintain formal technical and procedural controls to ensure confidential and sensitive data is processed, transmitted and stored securely. These controls are deployed across the Group's IT systems and are subject to regular review and testing, and help maintain compliance with the requirements of the General Data Protection Regulation and the UK Data Protection Act 2018.

Impacts on strategic pillars:



Grow
Mitie



Capability
enablers

Change in year:



Increased

Controls and mitigating actions

- Continued alignment with CE+ requirements, and ISO 27001 certified Information Security Management System in place.
- Internal processes and controls for all systems changes to ensure cyber best practice and compliance with data protection laws and regulations.
- Rationalisation and upgrade of ERP systems and infrastructure.
- Dedicated information security team and data privacy officers in place.
- Outsourcing of routine IT operations to a highly skilled partner organisation, Wipro, to improve IT resilience and controls. Includes 24/7 service providing Mitie with an enhanced level of information security monitoring and alerting. The 24/7 Cyber Defence Centre service provided by Wipro actively monitors all alerts and incidents raised by the various security tools.
- Adoption of Microsoft and Wipro cyber toolsets and proactive monitoring and management of cyber-threats.
- Clear strategy to utilise leading edge cloud technology, delivering disaster recovery and business continuity improvements.
- Crisis management and business continuity testing focused on cyber-attacks, a series of exercises aimed at ensuring that downtime is minimised, and client trust is maintained.
- Regular communications to employees to highlight IT risks and expected behaviours.
- Launch of new and enhanced cyber security training.
- Upgrades to legacy systems to reduce complexity and improve management information.
- Cyber insurance policy.
- MGX Playbook for the management of a cyber-attack.
- Security assessment by a leading firm of cyber security experts, to conduct a phased threat assessment and stress test on the Mitie network.

Future plans

- Broaden scope of ISO 27001 certification to provide all new business areas with a consistent risk and security focus.
- Information Security team to conduct penetration testing of applications during the development phase to improve security and reduce defects.
- Phishing attack exercises to be conducted every three months across the Group to reinforce training and highlight dangers.
- Conduct quarterly simulated major security incident exercises to ensure that the incident response process is robust.

4 Health, safety and environment

Failure to maintain appropriately high standards in health, safety and environmental management may result in catastrophic events, harm to employees, client staff or members of the public, consequential fines, prosecution and reputational damage.

At all levels in the organisation, safety is Mitie's number one priority. Mitie ensures that all risks are properly assessed and managed, its staff are trained and expectations of how they perform their work are clearly explained, and adherence to health and safety standards is regularly monitored. If these risks are not managed appropriately, they could lead to harm to individuals and damage to the environment, and consequently prosecution, fines and significant damage to Mitie's reputation.

During FY22, Mitie's QHSE key performance indicators have been broadly positive with performance either stable or improving following the integration of Interserve. Focus is now on aligning approaches to project type works to ensure a consistent end to end approach is adopted, using the Group's new automated risk management platform and Projects Community of Practice Group.

Mitie continues to monitor developments in relation to COVID-19 to ensure business interruptions are kept to a minimum and productivity in a safe environment is maximised. The Group has a live COVID-19 risk register in place, which is regularly reviewed and consulted. Focus remains on ensuring that appropriate steps are taken to safeguard the physical and mental wellbeing of colleagues, suppliers and others involved in Mitie operations. The recovery phase of the pandemic has been welcomed across the Group with Mitie proactively prioritising and supporting colleagues, customers and subcontracting partners with getting Britain back to business, including the management of more than 280 COVID-19 testing centres during FY22.

Mitie remains vigilant should a change in direction be required due to a COVID variant triggering a new wave or should there be a requirement for other courses of action relating to the pandemic. Continual horizon scanning, reviewing and assessment via the Intelligence Hub continues to play a pivotal role in helping to maintain the Group's resilience.

Impacts on strategic pillars:



Grow
Mitie



Capability
enablers

Change in year:



Increased

Controls and mitigating actions

- A comprehensive Quality, Health, Safety and Environment (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 e-learning training programme sets out HS&E expectations including 'stop the job' supported by key safety message from the 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 Working Group.
- 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.
- Ongoing review of QHSE team ensuring maintenance of competencies and correct provision of support and guidance across the Group.

Future plans

- Ongoing review of COVID-19 landscape.
- Continuation of QHSE engagement tours, meeting and speaking to frontline teams, gauging an understanding of safety compliance and targeting any required improvements.
- Evolution of Projects Community of Practice Group.

Principal risks and uncertainties continued

5 Funding

Inability to maintain access to and renew suitable sources of funding due to a perceived risk in Mitie's business and/or the sector as a whole may impact the Group's ability to maintain profitable business performance.

In order to be able to meet its financial commitments, the Group needs access to a number of affordable sources of finance. Mitie's core debt facilities include a revolving credit facility and private placement loan notes. Mitie needs to have sufficient liquidity to be able to pay suppliers and staff, while also investing in the business and ensuring it has enough resources for profitable growth.

During FY22, the Group has continued to actively manage its cash, liquidity and debt position and focus on this remains strong. A reduced revolving credit facility (RCF) of £150m has been refinanced on a longer tenor (4 years + 1 year), and at an interest rate 125bps lower than the facility it replaced.

In November, agreement was reached to refinance US private placement (USPP) notes that mature in December 2022. £120m of new notes will be issued under a delayed funding arrangement, avoiding any overlap with the maturing £121.5m of notes and at an improved average coupon of 2.94%. The new notes will have an average 10-year maturity profile.

The Group has a balance sheet which is strong, stable and flexible, to support future growth opportunities.

Impacts on strategic pillars:



Grow
Mitie



Margin
enhancement

Change in year:



Reduced

Controls and mitigating actions

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

Future plans

- Continue to work with a range of financial institutions to ensure that affordable finance sources can be accessed.

6 Regulatory

Failure to comply with applicable laws and regulations may lead to fines, prosecution and damage to Mitie's reputation.

Mitie is subject to a wide range of laws and regulations, including health and safety, employment, data protection, anti-bribery and corruption legislation and statutory wage requirements.

During FY22, there were notable changes to Mitie's external environment in terms of regulatory updates, and in the main these continued to be related to COVID-19 (e.g. mandatory vaccination requirements and end of furlough), Brexit (e.g. new immigration laws), and corporate governance requirements (e.g. mandatory TCFD reporting). As a consequence, a number of related activities took place throughout FY22 to ensure the Group remained legally compliant.

In FY23, the Group 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. Uncertainty still remains around legislation yet to be passed and the impact of this on Mitie. There are still unknowns associated with both the knock-on impact of Brexit as well as COVID-19 from a regulatory perspective.

Mitie recognises that a failure to comply with applicable laws and regulations could result in prosecution and/or significant fines, and, from a reputational perspective, could damage the Group's relationships with customers and its success when bidding for work. As a consequence, Mitie may also face debarment when tendering for public sector contracts.

Impacts on strategic pillars:



Grow
Mitie



Capability
enablers

Change in year:



Unchanged

Controls and mitigating actions

- 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 (IMS).
- 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.
- Establishment of Internal Control Declaration framework ongoing to align with potential UK legislation requirements.

Future plans

- Ongoing horizon scanning.
- Ongoing review of IMS to update policies and procedures.

7 Competitive advantage

A failure to maintain competitive advantage resulting in a loss in key customers, an over-reliance on a particular sector or a failure to produce bids which are financially viable could have a significant impact on Mitie's financial health and reputation.

FY22 has witnessed many achievements for the Group, including but not limited to, the successful completion of the Interserve integration, a large number of high-profile contract wins, the acquisition of new businesses such as DAEL Ventures, Rock Power Connections and Esoteric, the introduction of new centres of excellence including Cleaning and Hygiene and the Technical Services Operations Centre, and the proactive management to support the COVID-19 recovery, most notably through the management of more than 280 COVID-19 testing centres.

Despite such achievements, the Group recognises the importance of staying focused and continually reviewing ongoing challenges, such as threats posed by new entrants, market saturation across the sectors, growing competition as well as the ongoing effects from COVID-19. Each of these challenges has the potential to impact profit margins and disrupt Mitie operations.

In FY23, the Group will continue to monitor the changing external environment as well as market coverage. Furthermore, Mitie will continue to develop and deliver competitive bids, along with maintaining obligations towards the delivery of a quality service for existing customers.

Impacts on strategic pillars:



Grow
Mitie



Margin
enhancement



Generate
cash

Change in year:



Unchanged

Controls and mitigating actions

- 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/SLA formal reviews with customers.
- Sales and 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.
- Chief Government & Strategy Officer coordinating all interfaces with the Cabinet Office.
- Focus on high-margin opportunities with growth potential, for example technology-led solutions.
- Development of new and innovative service offerings.
- Sales Academy.

Future plans

- Continue to pursue suitable opportunities through the Crown Commercial Services frameworks.
- Continue to target emerging markets.
- Continue to engage with opportunities that have scope for innovative solutions.

Principal risks and uncertainties continued

8 Business resilience

An inability to effectively respond to global events, such as a pandemic or supply chain disruption and/or a catastrophic event at a key business location could result in significant business interruption. The effect on employees, customers and the supply chain could result in severe consequences for the financial health and reputation of Mitie's business.

During FY22, Mitie's commitment to ensuring its organisational resilience and viability has continued, despite uncertainty relating to COVID-19, post Brexit issues, increasing cyber-threats and more recent geopolitical events and the associated implications. During FY22, the Group has taken additional steps to ensure its ability to respond to disruptive events is not hindered by a failure to plan. Extra controls have been rolled out to tackle the Group's response to a sustained period off-line owing to a cyber-attack and additional measures have been introduced to safeguard operational practices which could be compromised owing to an issue with one or more of Mitie's major suppliers and/or service providers. Mitie has utilised learnings from previous incidents to develop a series of manual operating procedures to support business activities in the event of a cyber-attack on its operations.

The Group remains committed to enhancing its planning and response capability to minimise the impact from any significant business interruption and improve the speed of recoverability. Mitie recognises that as the business grows, the risks associated with a sustained period of downtime increase. In FY23, Mitie will be launching a series of targeted training modules to all business area leads with responsibility for critical and business continuity management. As well as reinforcing the importance of planning in order to prevent panic, the modules will also focus on the need to plan for disruptive events associated with sustainability risk management, ensuring that Mitie colleagues are prepared for all eventualities and are well placed to support customers and other third parties engaged in Mitie activities, as required.

The Group will continue to work closely with both supply chain and key service providers to ensure improvements in this area. This includes being proactive and vigilant of the changing environment and ensuring business continuity plans remain fit-for-purpose.

Impacts on strategic pillars:



Grow
Mitie



Margin
enhancement



Generate
cash



Capability
enablers

Change in year:



Unchanged

Controls and mitigating actions

- 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.
- Regular testing of crisis management and business continuity, including dedicated Executive Management scenario testing.
- 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.
- Operating in accordance with ISO 22301-2019 and 31000-2018.
- Continuous horizon scanning via the Intelligence Hub with regular alerts to teams on potential threats and significant events.
- Critical Engineering and Technical Assurance (CETA) Programme implemented in Technical Services 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.
- Digital supplier platform (DSP) – supports the efficiency of Mitie supply chain processes (supplier onboarding/supplier health, Contract Lifecycle Management, Sourcing and Purchase to Pay).

Future plans

- Roll-out of targeted critical and business continuity management training modules.
- Review digitalisation of business impact analysis.

9 Employees

Inability to recruit, retain and reward suitably talented employees, as well as failure to implement appropriate development plans and simple, consistent processes across the business and cultivate a One Mitie culture, could result in employees being disengaged and negatively impact the Group's operational and financial performance.

FY22 witnessed large-scale impacts to the UK labour market as the economy began to recover from COVID-19. This was compounded by the broader implications of Brexit which had the potential to compromise the availability of labour and key skills. During FY22, the Group continued to work hard to minimise disruption caused by this evolving external landscape. In FY22, Mitie took positive action to retain talent, through the provision of enhanced benefits for all colleagues including free shares, enhanced maternity pay, the addition of sabbaticals/ career breaks, life assurance, virtual GP, and a salary advance scheme (the ability to draw down pay earned ahead of payday). Additionally, to ensure compliance with the EU Settlement Scheme, the Group worked closely with impacted colleagues to ensure that they were assisted and guided through the process effectively.

Mitie made great progress in FY22 on the journey to make the Company a truly inclusive place to work, through diversity networks and an award-winning conscious inclusion learning programme (Count Me In). Other highlights included the delivery of executive roadshows over a three-week period in the form of Team Talk Live and partnering with external experts to enhance Mitie's attraction strategy and collateral.

In FY23, Mitie will continue to proactively monitor developments in relation to the labour market as well as any further implications resulting from COVID-19, such as workforce fatigue. The Group will launch a Group-wide Employee Value Proposition campaign, a Career Band Framework as well as a cost-of-living campaign to provide financial support and advice.

Impacts on strategic pillars:



Grow
Mitie



Capability
enablers

Change in year:



Increased

Controls and mitigating actions

- 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 structure streamlined and working in close partnership with the business.
- Induction programme, mandatory for new starters.
- Regular communications from leadership team – including Executive Management 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 free shares, life assurance, virtual GP, and a salary advance scheme.
- New careers site launched in FY22 attracting more than 128,000 new and unique viewers.

Future plans

- A further award of free shares to increase employee share ownership.
- Launch of a Group-wide Employee Value Proposition campaign, bringing together the total employee offer in one place to attract and retain talent. External and internal communications campaigns planned.
- Launch Career Band Framework to provide colleagues with visibility of career paths and internal opportunities for career advancement.
- Open flexible benefits (Choices) to hourly paid colleagues (currently open to salaried colleagues only).
- Continue to improve employee experience through system enhancements including single sign on for People Hub and Learning Hub (core HR systems).
- Run a 'cost of living' campaign to provide financial support and advice through colleague benefits including discount scheme, Salary Finance (low-rate loans) and Salary Advance.
- Ongoing review of labour markets.

Principal risks and uncertainties continued

10 Third-party management

Failure to successfully manage strategic third-party relationships or a catastrophic event and/or failure involving a third-party partner, could impact Mitie's ability to deliver, resulting in financial losses owing to fines and in some circumstances significant reputation damage.

In FY22, many sectors have been impacted by shortfalls in key products and materials. This in turn has led to delayed or reduced deliveries, mis-picks of products, short notice substitutions and short-term unavailability of key products and materials. During FY22, the Group continued to work closely with supply chain partners to ensure Mitie was operating effectively and to reduce the impact from disruption. At an account level there were ongoing reviews of key products and materials, and customers were continually kept abreast of developments.

In FY22, the Group launched its new digital supply chain platform (DSP) to better manage supply chain and associated risks. This has resulted in a structured review of all suppliers and subcontractors, which has seen 88% of subcontractors (by spend) fully accredited on a best-in-class QHSE accreditation platform (Safe Contractor). A further Procurement and Supply Chain (PSC) Insights initiative was also introduced to keep both customers and the wider business informed of the changing environment. During the same period, transitional activities took place following the integration of Interserve, with two separate supply frameworks being amalgamated into one.

In FY23, Mitie will continue to proactively monitor developments with both the internal and external landscapes, paying particular attention to the ongoing issues still being experienced from both COVID-19 and Brexit, combined with the impact of inflation, which continues to affect all businesses. Particular focus will continue to remain on Supplier Risk Management and Supplier Health facilitated by data delivered via the DSP. The Group is actively monitoring the entire supplier base (c.12,000 suppliers) for key risk areas and has a structured programme to close gaps and manage risks, particularly around subcontractors' QHSE accreditation and all suppliers' insurance coverage.

Impacts on strategic pillars:



Grow
Mitie



Margin
enhancement



Capability
enablers

Change in year:



Increased

Controls and mitigating actions

- Key policies and associated operating procedures, including Supply Management Framework.
- Dedicated Procurement and Commercial teams.
- Mitie First approach adopted.
- Project Forté driven improvements under Supply Chain Management workstream, including enhanced supplier audits, improved invoicing capabilities, master service agreements and job automation.
- Rigorous on-boarding framework integrated into business utilising the digital supplier platform (DSP).
- Defined service level agreements and key performance indicators.
- Ongoing spending review.
- Dedicated risk management and assurance procedures (including targeted 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 Group Risk team.
- DSP facilitating supplier health and risk checks as well as invoice processing.
- Procurement and Supply Chain (PSC) Insights introduced.

Future plans

- Ongoing review focused on post COVID-19 and Brexit landscapes and inflation implications.
- Continued roll-out and enhancement of processes relating to the DSP.
- Ongoing supplier review focused on QHSE accreditations and insurance coverage.

II Growth through acquisitions

An important part of Mitie's growth is generated through acquisitions. Market conditions might mean the ability to secure such opportunities for future growth which are favourable to Mitie in respect of price and terms and conditions may not always be available.

A component of Mitie's growth is generated through acquisitions, which provide an opportunity to grow market share and enhance service offerings. Any future growth through acquisitions will depend on the continued availability of suitable propositions both in relation to price, and terms and conditions as well as the Group's ability to fund them.

As well as opportunities, acquisitions encompass a series of risks which if miscalculated, particularly around the value and integration of the business being acquired, could have a detrimental impact on the Group. An inability to effectively manage all associated risks could delay the delivery of expected benefits and consequently hinder Mitie's business performance. In order to make sure these risks are managed successfully, it is important that Mitie maintains a rigorous acquisition evaluation process and due diligence is completed to the highest standard and appropriate attention is given to the integration of new acquisitions.

Following the acquisitions of DAEL Ventures, Rock Power Connections, Esoteric and Biotecture in FY22, Mitie intends to continue to identify and secure opportunities which will enhance the Group's existing offerings.

Impacts on strategic pillars:



Grow
Mitie



Margin
enhancement



Capability
enablers

Change in year:



Controls and mitigating actions

- Specialist legal and financial professionals.
- Ongoing review of market conditions and value for stakeholders.
- Rigorous due diligence and risk management processes.
- Training and awareness.
- Financial governance and controls.
- Assessment of new acquisitions against Mitie's internal control framework.

Future plans

- Continued focus on growth strategy ensuring healthy balance between short-term value and long-term return is maintained.
- Ongoing enhancements to acquisition evaluation process.
- Ongoing review of market conditions.

Shining a light on safer workspaces



566

UVC light units deployed so far

99.994%

airborne pathogens killed by UVC light

89%

of workplaces describe air quality as 'important' or 'very important'

Innovation in creating a hygienic, clean workspace

As more people return to office working, our Innovation Forum – a group created to support the development of technology to enhance the built environment – has explored innovative ways to clean and disinfect working areas more thoroughly and efficiently. In 2021, we partnered with Luxibel, a global provider of UVC Disinfection Systems, to explore new ways of protecting against airborne pathogens, creating a safer and cleaner indoor environment through the power of light.

Harnessing the power of UVC light

We introduced Luxibel UVC air filtration systems and UVC purification lamps as a pilot in the Mitie HQ at The Shard, London. These use a special frequency of ultraviolet light – UVC – to provide a highly effective, chemical-free disinfection solution, proven to kill 99.994% of airborne pathogens. We identified this as the safest, most effective technology, which also gives people the added confidence afforded by visibly working units. Our air filtration systems are always on and disinfecting indoor air 24/7. We have subsequently installed air filtration systems in all our major offices.

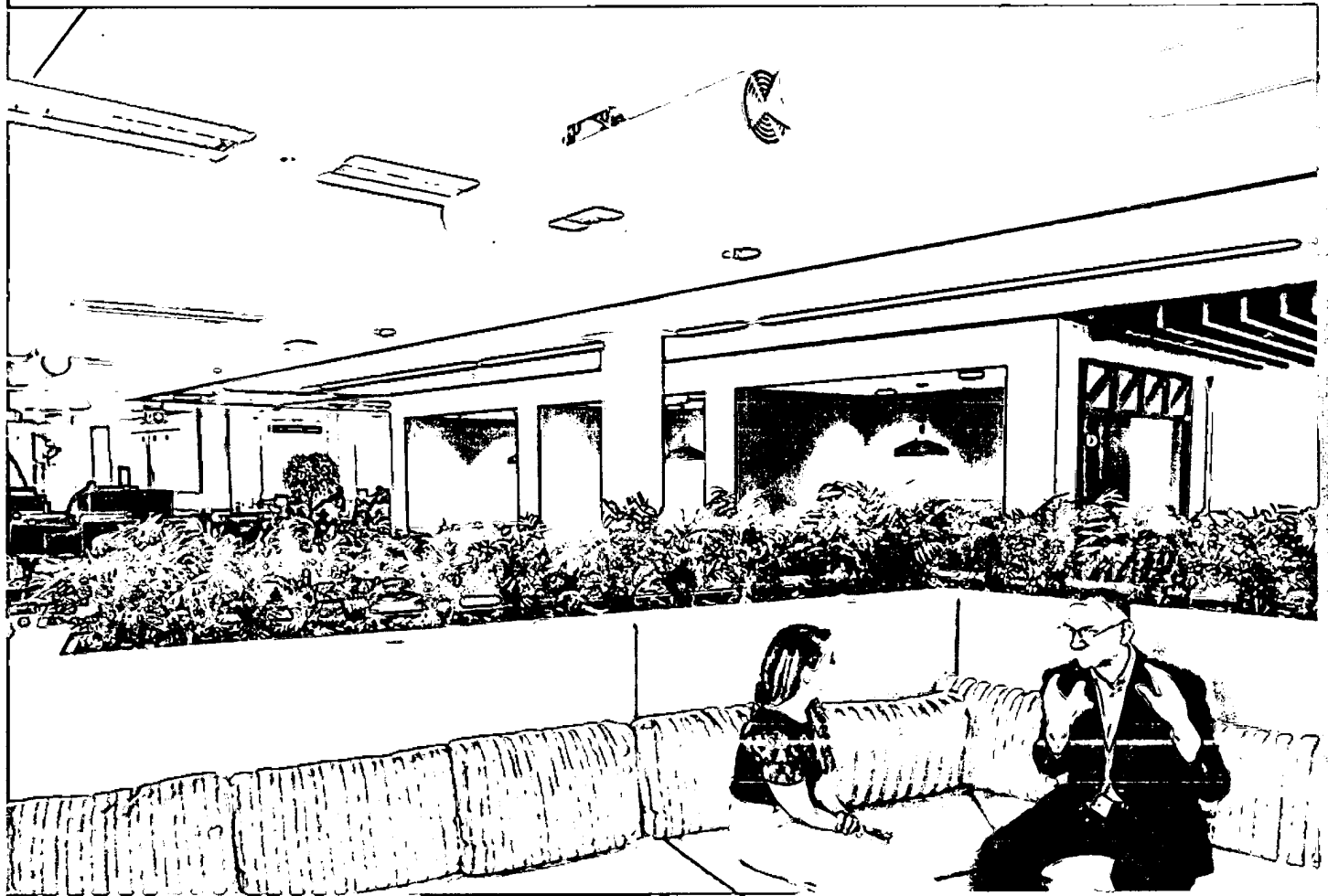
A visible investment in safety

Post-lockdown, organisations had to ensure COVID-19 safety measures were in place to protect employees and limit the spread of the virus. As the pandemic has developed, the focus has moved from improving air quality as a 'Covid-measure' to improving wellbeing and increasing productivity overall. We have successfully rolled out the technology for contracts with our customers including Network Rail and Government Property Agency and it's even been featured on the BBC.

[Link to strategy](#)

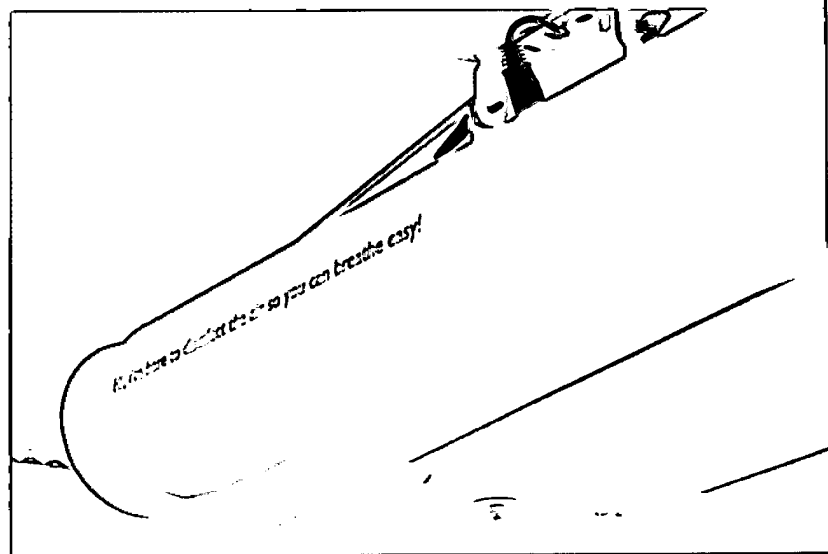


Capability enablers – Science of Service



Being severely immune compromised, I'm at the sharp end of clinical vulnerability with regards to all infections and COVID is no exception. Mitie's investment in UVC within our offices played a part in my decision to join. This isn't just about clean air... for me, it's about inclusion.

Nicola Mulford,
Marketing Propositions Manager, Mitie



Non-Financial Information Statement

We continually look for ways to make Mitie a responsible business and we actively engage with stakeholders to improve the Group's impact.

As detailed further on pages 36 to 51 and 131 to 132, Mitie has 13 industry-leading social value and responsible business targets as part of its Social Value Framework. Progress towards these targets is published monthly in Mitie's Social Value & Responsible Business Dashboard which is available at www.mitie.com/esg. Mitie met or exceeded all 13 of its social value targets for FY22.

Mitie's leadership position across ESG has been shown by the improvement in ratings from major ESG rating agencies during FY22, including The Sustainable FM Index.

We use a variety of tools to track and measure our performance against strategic objectives. Our business model encompasses the non-financial value created for our stakeholders from our resources, human capital, expertise and relationships. Through our business model, we deliver value for our employees, suppliers, communities, shareholders and customers.

Reporting requirement	Relevant policies ¹	Annual Report page reference
Environmental matters	Sustainability policy Procurement policy	Chief Executive's strategic review pages 6 to 12 Stakeholder engagement pages 30 to 32 Environment pages 41 to 49 Social Value & Responsible Business Committee report pages 131 to 132
Employees	Employee Handbook People policy Equality diversity and inclusion policy Health and safety policy Ethical business practice policy Sustainability policy Quality policy	Chief Executive's strategic review pages 6 to 12 Stakeholder engagement pages 30 to 32 People pages 37 to 40
Social matters	Sustainability policy	Chief Executive's strategic review pages 6 to 12 Stakeholder engagement pages 30 to 32 Community page 50 Social Value & Responsible Business Committee report pages 131 to 132
Human rights	Employee Handbook Ethical business practice policy	Stakeholder engagement pages 30 to 32
Anti-bribery and anti-corruption	Employee Handbook Ethical business practice policy E-learning module available for employees through the process repository (BMS) and Learning Hub	People pages 37 to 40 Stakeholder engagement pages 30 to 32 Culture at Mitie pages 96 to 99
Suppliers	Procurement policy Supplier social value policy	Responsible supply chain page 51
Business model		Our business model pages 28 to 29
Non-financial KPIs		Key performance indicators pages 16 to 19
Principal risks		Principal risks and uncertainties pages 66 to 77 Viability statement pages 83 to 84 Audit Committee report pages 107 to 114 Governance pages 86 to 114

1. Policies, statements and codes are available at www.mitie.com

Section 172 statement

We believe that considering our stakeholders in key business decisions is not only the right thing to do but is fundamental to our ability to drive value creation over the longer term. Now, as we enter a new financial year in the midst of recovering from a global pandemic, balancing the needs and expectations of our stakeholders has never been a more important or challenging task. Board Directors are bound by their duties under the Companies Act 2006 (the "Act") to promote the success of the Company for the benefit of our members as a whole. In doing so, however, we must have regard for the interests of all of our stakeholders, to ensure the long-term sustainability of the Company. The Board is therefore responsible for ensuring

that it fulfils its obligations to those impacted by our business, in its stakeholder consideration and engagement. Stakeholder consideration is embedded throughout the business, with the Board and senior management actively engaged in communication and engagement initiatives. The following pages comprise our Section 172(1) statement, setting out how the Board has, in performing its duties over the course of the year, had regard to the matters set out in Section 172(1) (a) to (f) of the Act, alongside examples of how each of our key stakeholders have been considered and engaged. Further information can also be found throughout the Strategic report and in our exploration of key strategic decisions made in the Governance

report. Details of Mitie's key stakeholders, how the Group has engaged with them during FY22 and the outcomes of that engagement, are set out on pages 30 to 32. Engagement activities specifically carried out by the Board collectively and individually can be found on pages 93 and 98.

The Board made some crucial decisions during the year, promoting the Company's purpose, strategy and long-term sustainability. All Board decisions are made having considered the matters set out in Section 172(1) of the Companies Act 2006, and here we analyse some of these decisions and considerations in detail.

Key decisions in the year

Acquisition of DAEL Ventures, Rock Power Connections, P2ML and 8point8

Mitie acquired:

- ➊ DAEL Ventures, a leading provider of acquisition, design and construction services (ADC) in the UK for mobile telecoms infrastructure, on 5 August 2021
- ➋ Rock Power Connections, an independent connection provider, specialising in the design and installation of new high voltage electricity supplies, the renewal of electrical assets up to 132kV and electric vehicle charge points, on 1 November 2021
- ➌ P2ML, a specialist telecoms tower design house, on 1 April 2022
- ➍ 8point8, a leading provider of design and construction services in the UK, predominantly for mobile telecoms tower infrastructure, on 3 May 2022

When considering the proposals to acquire these companies during FY22, the Board considered the strategic benefits to stakeholders of the transactions.



Employees:

- ➊ New colleagues benefit from becoming part of a larger, more profitable company;
- ➋ They also benefit from our established engagement mechanisms, culture and values, substantial learning and development opportunities, technology and innovation, benefits and rewards;
- ➌ Potential employee synergies on consolidation;
- ➍ Talent flight risk from new colleagues; and
- ➎ Capacity and bandwidth of existing Mitie colleagues involved with the acquisitions.



Customers and suppliers:

- ➊ Opportunities to enhance our portfolio of services, enabling us to deliver new and complementary services to existing customers as well as new customers;
- ➋ Roll-out of our customer-facing technologies to the customers of the acquired businesses, improving customer experience; and
- ➌ Risk of renegotiation or early termination of customer contracts.



Shareholders:

- ➊ Impact on EPS and return on invested capital;
- ➋ Potential cost synergies, as well as the possibility of unexpected liabilities and costs or inaccurate assumptions and estimates relating to benefits and synergies;
- ➌ Expected stronger financial profile supporting a progressive dividend policy; and
- ➍ Possible difficulties integrating the new businesses.

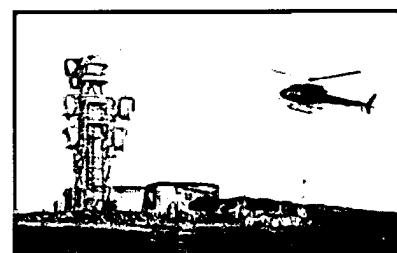
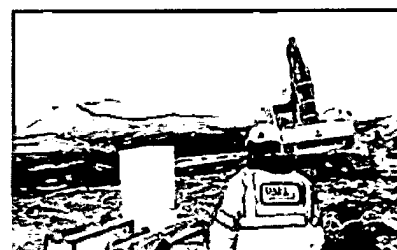


Community and environment:

- ➊ Impact on our social value agenda and Plan Zero targets and milestones.

Outcome and impact of the decision

After due consideration of the matters set out in Section 172 of the Act, related risks and opportunities and the impact on wider stakeholders, the Board approved the acquisition of the companies. The acquisitions, which were integrated into the Technical Services division, are performing in line with expectations.



Section 172 statement continued

Key decisions in the year

Approval of FY22 interim and final dividends

The Board did not recommend a final dividend in respect of the year to 31 March 2020, and no interim or final dividend for the year to 31 March 2021, due to the uncertain micro- and macro-environments resulting from the COVID-19 pandemic. When considering the proposals to resume the payment of dividends for FY22, the Board considered cash generation, the performance of the underlying business and the long-term impact of paying the dividends on the liquidity and solvency positions. The Board also considered the impact of the dividend decisions on expectations relating to the dividend policy.



Shareholders and lenders:

- Shareholders' expectations in relation to the payment of dividends, both from a capital return perspective and as a signal of future performance; and
- The impact of paying dividends on whether the business remained within the financial covenants agreed with lenders.



Employees:

- For colleagues who participate in the Group's employee share schemes, the payment of dividends enabled returns for those colleagues.



Community and environment:

- The fact that we repaid the monies received from Government for our directly employed colleagues, under the Coronavirus Job Retention Scheme established to support businesses through the COVID-19 pandemic.

Outcome and impact of the decision

Following due consideration of all the matters set out in Section 172, and with £86m of free cash flow reported in the first half of the year, average daily net debt of £60m, and the underlying performance of the business back to pre-COVID levels, the Board determined that the resumption of dividends through the declaration of the FY22 interim dividend was consistent with the Group's risk appetite having assessed the likely impact on the business and its stakeholders (including in the long term), and that similar considerations applied for the recommendation of the FY22 final dividend.

Integration of Interserve

Mitie acquired Interserve Facilities Management (Interserve) on 30 November 2020, and the 12-month integration programme, delivered through 16 complex projects, was completed during FY22. Delivering significant cost synergies, introducing Interserve customers to our market-leading technologies, renewing Interserve contracts, and driving cross-selling opportunities are core drivers of future value-creation.

The Board received progress reports on the implementation of the integration programme at each Board meeting.



Employees:

- Former Interserve colleagues benefited from the transfer to our HR and payroll systems, giving full access to systems and available benefits and rewards, learning and development opportunities;
- Delivery of the expected employee synergies on integration; and
- Management of talent flight risk from former Interserve colleagues.



Customers and suppliers:

- Delivery of improved customer experience, monitored through performance in NPS survey;
- Roll-out of Mitie's customer-facing technologies to Interserve customers, improving customer experience;
- Mitigation of the risk of the failure to renew former Interserve customer contracts or early termination of those contracts;
- Consolidation of supplier base; and
- Delivery of the new public sector contracts, resulting from the acquisition.

Shareholders:

- Impact on EPS and return on invested capital and whether the improvements to the profit margins and free cash flow had been delivered;
- Realisation of the cost synergies;
- Strengthened financial profile offering the opportunity to resume dividends; and

- Mitigation of the potential risk to the recovery of sums which might become due from the vendor (by way of a reduction in the consideration) as a consequence of the completion accounts process contained in the sale and purchase agreement, and the subsequent expert determination process.



Community and environment:

- Impact on our overall social value agenda and Plan Zero targets and milestones; and
- Expansion of the Mitie Foundation agenda to include Interserve geographical areas.

Outcome and impact of the decision

The integration programme completed at the end of November 2021 as planned. The 16 projects and the various project teams delivered on the objectives set back in the planning phase, navigating the challenges of delivering such extensive change in a short period of time with the added complications of remote working due to COVID-19.

Viability statement

The UK Corporate Governance Code requires the Board to explain how it has assessed the prospects of the Group and state whether it has a reasonable expectation that the Group can continue to operate and meet its liabilities, taking into account its current position and principal risks.

The Group's principal markets and strategy are described in detail in the Strategic Report (pages 1 to 84).

The key factors affecting the Group's prospects are:

- Mitie is one of the leading UK's leading facilities management businesses with c.5% of the market;
- The outsourcing market is relatively insensitive to economic cycles;
- We have a clear vision for our technology-centric growth strategy;
- We are making good progress in our transformation programmes; and
- We have a diverse portfolio of blue-chip and public sector clients, the largest of which constitutes <5% of revenue.

The Directors believe that a three-year period is appropriate for the viability assessment as it is supported by our strategic, budgeting and business planning cycles and is relevant to the duration of the Group's existing contracts with customers which is typically around three years.

It therefore represents a timeframe over which the Directors believe they can reasonably forecast the Group's performance.

In making this statement, the Directors have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. This includes the availability and effectiveness of mitigating actions that could realistically be taken to avoid or reduce the impact or occurrence of the underlying risks. In considering the likely effectiveness of such actions, the conclusions of the Board's regular monitoring and review of risk management and internal control systems, as described on pages 111 to 113, are considered.

Base case projections for viability purposes have been made using prudent assumptions:

- Modest revenue and margin growth beyond FY22;
- No major changes in working capital;
- Future dividends in line with current policy;
- Share buyback programme beginning in FY23;
- Settlement of existing provisions according to our best estimates together with funding costs for ongoing transformation activities; and
- No changes to Group structure.

The resulting financial model assesses the ability of the Group to remain within financial covenants and liquidity headroom of existing committed facilities.

The Group's core liquidity is provided by a £150m revolving credit facility and £151.5m of US Private Placement notes. £120m of new US Private Placement notes will be issued under a delayed funding arrangement in December 2022, avoiding any overlap with the existing £121.5m of notes that mature in the same month (see Going Concern statement on pages 152 and 153 for further detail). A further £30m of notes will mature in December 2024, which the base case scenario assumes will be re-financed. In addition, at 31 March 2022 the Group had utilised £45m of its confidential invoice discounting facility. This facility is being wound down, which will result in an increase in Group debt that has been included in the base case scenario.

A range of scenarios that encompass the principal risks were applied to the base case and are set out in the table below. The analysis also considered a reverse stress test scenario to understand the reduction required to cause a breach of interest cover covenant. Whilst the impact on revenue, gross margin, overheads, and net debt was assessed, revenue was the focus of the reverse stress test as this is less within the control of management.

	Scenario	Principal risks
1	Inability to refinance Assumptions Debt: £30m of US Private Placement notes repaid in December 2024 and not replaced	5
2	Demand/operational shock Assumptions Revenue: 5% year-on-year revenue reduction across assessment period Costs: £40m one-off cost in FY23 (or equivalent amount of savings not being realised)	2, 3, 4, 6, 7, 8
3	Inflation/employee/supply chain disruption Assumptions Margin: 2% gross margin erosion across assessment period	1, 9, 10
4	Reverse stress test	n/a

Viability statement continued

In each of scenarios 1-3 the Group was able to continue operating within debt covenants and liquidity headroom. The conclusion from the reverse stress test is that it requires such an extreme reduction in revenue that it is considered to be a remote likelihood and therefore does not represent a realistic threat to the viability of the Group. In reaching the conclusion of remote, the Directors considered the following:

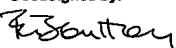
- Revenue would need to decline by approximately 34% (assuming the gross margin was maintained) in the year ending 31 March 2023 compared to the base case, which is considered to be very severe given the high proportion of Mitie's revenue that is fixed in nature and the fact that in a COVID-hit year, Mitie's revenue excluding Interserve declined by only 1.6%.
- In 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 scenario analysis or reverse stress test results. 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 this assessment, the Directors have concluded that there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 31 March 2025.

The Strategic Report on pages 1 to 84 of Mitie Group plc, company registration number SC019230, was approved by the board of Directors and authorised for issue on 9 June 2022.

It was signed on its behalf by

DocuSigned by:



Phil Bentley

Chief Executive Officer

DocuSigned by:



Simon Kirkpatrick

Chief Financial Officer



Governance

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Chairman's introduction to governance and the Board



Effective corporate governance is fundamental to the way Mitie conducts business. By encouraging entrepreneurial and responsible management, it supports the creation of long-term, sustainable value for shareholders and stakeholders and contributes to wider society.

Derek Mapp
Chairman

As Chairman, one of my key roles is to ensure that the Board and Mitie continue to have high standards of corporate governance while, at the same time, establishing and continually developing the right controls to provide the Board with the appropriate level of oversight and assurance. By having a sound corporate governance framework, we can ensure effective and efficient decision-making, and the right balance of knowledge, diversity, skills, experience and challenge to monitor and manage the risks we face.

Board's focus during the year

In what continues to be a challenging macroeconomic environment, the Board had a busy year. Our focus during the year has been to accelerate the Company's pursuance of its strategic priorities, while managing the ongoing uncertainties associated with COVID-19, labour cost inflation and other inflationary pressures.

During the year, the Board resumed physical meetings, including a site visit to Manchester Technical Services Operating Centre, received updates on financial and operational performance, as well as strategic 'deep dives' on each business unit and:

- Balanced business performance and shareholder interests
- Approved the operating plan for the financial year

- Monitored the progress of the 12-month programme to integrate 20,000 employees, 400 customers and 3,600 suppliers who joined Mitie through the acquisition of Interserve Facilities Management (Interserve)
- Considered and approved the resumption of the payment of dividends to shareholders and approved the refinancing of debt securities
- Considered updates on workforce approach and policies from Jennifer Duvalier, our Remuneration Committee Chair, following the various listening sessions held with colleagues
- Oversaw performance against the change programmes underway within Mitie
- Considered and approved several important strategic acquisitions and disposals, in line with Mitie's M&A strategy

Board composition

The Nomination Committee continues to lead the process for Board appointments and ensures that plans are in place for orderly Board and senior management succession. On the recommendation of the Committee, Chet Patel and Salma Shah were appointed to the Board as Non-Executive Directors on 1 April 2022, following the departure of Nivedita Krishnamurthy Bhagat. With a background in business-to-business service environments and promoting sales and growth strategies along with his expertise in business technology and cyber security, Chet will further strengthen the commercial expertise on the Mitie Board. With a background in public policy and public affairs, Salma will bring additional public sector expertise reflecting Mitie's increased public sector focus. The Company Secretary and I ensured that a tailored induction programme was put together for Chet and Salma.

The Board considered whether the balance in its members' skills and experience is appropriate both from an overall Board composition perspective and based on individual contribution. The biographies of the current members of the Board and the Chief of Staff, General Counsel & Company Secretary are set out on pages 87 to 89.

Board evaluation

Following the external evaluation of the Board in FY21, the Board agreed areas of focus for FY22. FY22, the second year of our cycle, involved the Board performing an internal evaluation of progress against the FY22 areas of focus and the resulting actions, as well as agreeing new areas of focus for FY23. Further information on this year's evaluation can be found on pages 102 to 103.

Stakeholder engagement

Effective engagement enables the Board to ensure that stakeholder interests are considered when making strategic decisions. The Board spent time in FY22 discussing key stakeholders, engagement mechanisms and the issues that matter to those

stakeholders. The Board's stakeholder map has been reviewed and updated to include specific actions taken in response to feedback received.

The stakeholder map has supported the Board's inclusion of the required Section 172(1) statement within this Annual Report. This year's statement focuses on key decisions made by the Board during FY22 and the Board's consideration of their impact on key stakeholders. The Section 172(1) statement can be found on pages 81 to 82.

Jennifer Duvalier continues to act as the Company's designated Non-Executive Director responsible for oversight of the Board's engagement with the workforce. Jennifer has participated in employee listening sessions during FY22, thereby maintaining communication channels with the workforce, and ensuring that the views of those on the frontline are heard and understood. Jennifer provides the Board with an update at each Board meeting so that these views are regularly voiced at Board level and can be incorporated into the Board's decision-making process. Between meetings, notes from Jennifer's communications are made available to the Board via an electronic Board portal. Further detail on Jennifer's role and activities is included on pages 98 to 99. In FY23, the other Non-Executive Directors and I will join Jennifer and attend and participate in the employee listening sessions.

Hybrid AGM

We know our AGMs provide investors with a valuable opportunity to communicate with us. In recognition of this, and building on the success of last year's meeting, we will be conducting this year's AGM electronically once again. The meeting will be held as a combined physical and electronic meeting (a hybrid meeting). In addition to being able to vote and submit questions electronically in advance, all shareholders will be able to join the meeting online to hear from Phil and I, ask questions and vote on our resolutions.

UK Corporate Governance Code and statement of compliance

Mitie applied all the principles and complied with all the relevant provisions of the 2018 UK Corporate Governance Code (Code) during FY22, with the exception of provision 38 (alignment of executive director pension contribution rates with those available to the workforce). Simon Kirkpatrick was appointed in April 2021 with a pension benefit which was aligned to the workforce. Phil Bentley's pension benefit will be fully aligned with the wider workforce from 1 January 2023, in line with the Remuneration Policy approved by shareholders in 2021. Details on how we have applied the principles set out in the Code and how governance operates at Mitie have been summarised throughout the Directors' Report.

Derek Mapp
Chairman

DocuSigned by:
Derek Mapp
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Board of Directors



Derek Mapp

Non-Executive Chairman

Date of appointment to the Board
9 May 2017

Other current appointments

Derek is an independent non-executive director and chair-designate of the Board of Eurocell plc (Eurocell) and a member of Eurocell's Nomination and Remuneration Committees. Derek will assume the role of chair of the board of Eurocell and chair of the Nomination Committee of Eurocell effective 1 July 2022. Derek is also a director of Woodall Group Limited, a private company and has several other private business interests.

Past roles

Derek was Chair of Informa plc from March 2008 until his retirement on 3 June 2021. He was also Chair of Huntsworth plc from December 2014 to March 2019. Previously he was Chief Executive Officer of Tom Cobligh plc and Executive Chair of Leapfrog Day Nurseries Limited. Historically he was Chair of East Midlands Development Agency, Sport England and British Amateur Boxing Association Limited. He continues to have business interests in hospitality in Cornwall and Derbyshire.

Skills and experience

- Experienced chairman and entrepreneur with exceptional leadership skills
- Extensive career in ownership, managerial, operational and commercial roles in service industries
- Wealth of commercial experience and exceptional governance experience within various sectors
- Promotes robust debate and an open and engaged culture



Phil Bentley

Chief Executive

Date of appointment to the Board
1 November 2016

Other current appointments

None

Past roles

Phil was Group Chief Executive Officer of Cable & Wireless Communications plc from January 2014 until its sale to Liberty Global plc in May 2016. Prior to this, he was a member of the board of Centrica plc from 2000 to 2013 while also Managing Director of British Gas from 2007 to 2013, Managing Director, Europe from 2004 to 2007 and Group Finance Director from 2000 to 2004. His prior non-executive directorships include IMI plc from 2012 to 2014 and Kingfisher plc from 2002 to 2010. His earlier career was in international roles with BP and Diageo.

Skills and experience

- Executive and non-executive experience with FTSE 100 companies for over 20 years
- Significant strategic and commercial experience at both national and global levels
- Exceptional executive and leadership experience from across industry
- Extensive financial and investment community experience
- Accountant by profession, with a master's degree from Oxford University and an MBA from INSEAD, Fontainebleau



Simon Kirkpatrick

Chief Financial Officer

Date of appointment to the Board
1 April 2021

Other current appointments

None

Past roles

Simon joined Mitie in July 2019 from Balfour Beatty PLC where he held a number of senior finance roles, including Finance Director for Major Projects and Group Head of Financial Planning & Analysis. He began his professional career with Ernst & Young where he was a director in the Energy practice.

Skills and experience

- Significant UK and international plc experience
- Proven track record in transforming complex contracting businesses
- Exceptional financial experience and extensive strategic and commercial experience across a number of sectors
- Qualified as a chartered accountant with a law degree from Exeter University

Continued overleaf

AC	Audit Committee Member
NC	Nomination Committee Member
RC	Remuneration Committee Member
SV&RBC	Social Value & Responsible Business Committee Member
	Committee Chair

Board of Directors continued



Baroness Coughtie

Independent Non-Executive Director

Date of appointment to the Board
15 November 2017

Other current appointments

Philippa is a member of the House of Lords and a member of the European Affairs Select Committee. She is also Deputy Chair of the Guernsey Financial Services Commission and a member of its Investment Committee and Audit Committee.

Past roles

Philippa led Westminster City Council from 2012 to 2017. She was elected to the Council in 2006 and subsequently served as Cabinet Member for Finance, Cabinet Member for Housing and Deputy Cabinet Member for Children's Services. She was also a member of the Polling and Digital Media Select Committee from 2017 to 2018, and a member of the Greater London Authority Crime Reduction Board from 2012 to 2014.

Prior to progressing her career in public service, Philippa was a director at Citigroup after she left Schroders, where she headed up its principal finance business. She was also previously Chief Executive of Cornerstone Communications and then PR Consultants.

Philippa has served as a non-executive director on several boards since 2006, including Royal Parks and the London Local Enterprise Partnership.

Skills and experience

- Extensive experience of the financial sector, developing corporate strategy and executing change management
- Exceptional experience in both public and private sectors at the most senior level
- Ennobled and joined the House of Lords in 2016
- An honours degree in Psychology from the University of St Andrews



Jennifer Duvalier

Independent Non-Executive Director

Date of appointment to the Board
26 July 2017

Other current appointments

Jennifer is Non-Executive Director and Chair of the Remuneration Committee of Guardian Media Group plc, Chair of the Remuneration Committee and a member of the Nomination and Cyber Security Committees of NCC Group plc and Senior Independent Director and a member of the Audit and Risk, Nomination and Remuneration Committees of Trainline plc. She is also Director of The Cranemere Group Limited where she is also Chair of the Sustainability, People & Diversity Committee, and a member of the Council of the Royal College of Art where she is also Chair of the Remuneration Committee.

Past roles

Jennifer was Executive Vice President, People for ARM Holdings plc, a global technology business, from September 2013 to March 2017 and was also an executive committee member with responsibility for people and internal communications activity.

Skills and experience

- Leadership development, talent acquisition and management and succession planning
- Mentoring and coaching
- People strategy, organisation development and change management
- Employee engagement and internal communications
- Corporate social responsibility
- Executive remuneration and performance management experience
- Executive team and Board effectiveness
- MA (Hons) in English and French from the University of Oxford



Chet Patel

Independent Non-Executive Director

Date of appointment to the Board
1 April 2022

Other current appointments

With over 15 years' commercial experience at BT Group, Chet is currently Chief Commercial Officer & Managing Director, Americas, BT Global.

Chet is also a non-executive advisor for a tech start-up and a law firm.

Past roles

Chet was non-executive director at London First between 2013 and 2017. He was also a non-executive member of the London Enterprise Panel between 2013 and 2016.

Prior to joining the BT Group in 2006, Chet worked for Charles Schwab.

Skills and experience

- Commercial expertise in the B2B service environment, promoting growth and sales strategies
- Expertise in business technology, cyber security, business transformation, commercial and marketing
- An MBA from Henley Management College
- An honours degree in Economics & Politics from University of Leeds



Mary Reilly

Independent Non-Executive Director

Date of appointment to the Board
1 September 2017

Other current appointments

Mary is Non-Executive Director and Chair of the Audit Committee of Essentra plc, an international supplier of specialist plastic, fibre, foam and packaging products. She is also Independent Non-Executive Director of Gemfields Group Limited and on the board of Mar Holdco S.a.r.l, a privately held Luxembourg company. Her current trusteeships include the Invictus Games Foundation, PDSA and Crown Agents International Development.

Past roles

Mary was Non-Executive Director and Chair of the Audit Committee of Travelzoo from 2013 to 2022 and Non-Executive Director and Chair of the Audit Committee of Ferrexpo plc, an iron ore mining company, from 2015 to 2019. She was also Non-Executive Director and Chair of the Audit & Risk Committee of the UK Department for Transport and of Crown Agents Limited, an international development company, from 2013 to 2017. Prior to this, she was Non-Executive Director of Cape plc, a global industrial services company, from 2016 to 2017. She has served as a non-executive director on several other boards since 2000. She was a partner in Deloitte LLP (and predecessor firms) for over 25 years. She was an audit partner in the UK specialising in manufacturing, luxury retail and business services. She also headed a unit offering outsourcing capability.

Skills and experience

- Exceptional audit, risk management and assurance experience
- Accounting, finance and international experience
- Chartered accountant, with a degree in History from University College London



Salma Shah

Independent Non-Executive Director

Date of appointment to the Board
1 April 2022

Other current appointments
Salma is a Partner at Portland Communications, advising clients on public policy and public affairs communications.

Past roles
Salma held Special Advisor roles in several Government departments between 2014 and 2019. Prior to this, she worked as a News & Political Programmes Producer for BBC News.

Skills and experience

- Public sector expertise
- Extensive experience in public policy, public affairs and communications
- An honours degree in Journalism & Politics from University of Salford



Roger Yates

Senior Independent Director

Date of appointment to the Board
1 March 2018

Other current appointments
Roger is Non-Executive Director of Biotech Growth Trust Plc. He is Senior Independent Director and Chair of the Remuneration Committee of Jupiter Fund Management plc. He is also Senior Independent Director and Chair of the Remuneration Committee of St James's Place plc.

Past roles

Roger started his career in asset management at GT Management in 1981 and held positions of increasing seniority at Morgan Grenfell, LGT and Invesco. He served as Chief Executive of Henderson Group plc from 1999 to 2008 and as Chief Executive of Unicredit's asset management arm, Pioneer Investments, from 2010 to 2012 and as Chairman from 2012 to 2017.

Roger's non-executive roles have included F&C Investments, IG Group plc, Electra Private Equity plc and JPMorgan Elect plc.

Skills and experience

- Substantial board experience
- Strong business track record
- Exceptional knowledge of the finance and investment community
- MA in Modern History from Worcester College, University of Oxford



Peter Dickinson

Chief of Staff, General Counsel & Company Secretary

Date of appointment
6 March 2017

Other current appointments
None

Past roles

Peter was a partner at the global law firm Mayer Brown International LLP (and its predecessor firm) between 1995 and 2017 and played a leading role in developing the firm's Technology, Media and Telecoms (TMT) practice.

From 2015 until March 2017, Peter co-headed Mayer Brown's global Technology Transactions practice. Between 2005 and 2015, he was the head of Mayer Brown's Corporate practice in London and, in addition, between 2008 and 2015, he was the co-head of Mayer Brown's global Corporate practice.

Skills and experience

- Substantial experience of providing legal, regulatory and commercial advice at board level
- Significant experience advising on corporate merger and acquisition transactions, joint ventures and other significant commercial transactions, including large-scale multi-jurisdictional outsourcing projects
- Qualified solicitor with a degree in law from Southampton University

AC	Audit Committee Member
NC	Nomination Committee Member
RC	Remuneration Committee Member
SV&RBC	Social Value & Responsible Business Committee Member
	Committee Chair

Board leadership and Company purpose

Governance framework

The Company's formal governance framework underpins the Company's operations. In addition to the three main Board Committees, the Company has a Social Value & Responsible Business Committee, Disclosure Committee and an informal Bid Committee.

The Social Value & Responsible Business Committee is chaired by Baroness Coughtie, an Independent Non-Executive Director. Its members include a second Independent Non-Executive Director, the Chief of Staff, General Counsel & Company Secretary, Chief Government & Strategy Officer, Group HR Director, Head of Media Relations, Managing Director of Business Services and Managing Director of Care & Custody. The Social Value & Responsible Business Committee met five times during FY22. Its purpose is to drive the Group's social value and responsible business agenda and ensure the Group conducts its business in a commercially responsible way. Further detail on the activities of the Committee during the year can be found on pages 131 to 132.

The Disclosure Committee is chaired by the Chief Executive. Its members include the Chairman, Chief Financial Officer, Chief of Staff, General Counsel & Company Secretary and the Deputy General Counsel. The Disclosure Committee met three times during FY22. Its purpose is to assist and inform decisions of the Board concerning the identification of inside information and make recommendations about how and when the Company should disclose that information in accordance with the Company's disclosure policy.

The Bid Committee is chaired by the Chief Executive. Its members include the Chief Financial Officer, Chief of Staff, General Counsel & Company Secretary, Chief Government & Strategy Officer and members of the sales team. The Bid Committee met weekly during FY22. Its purpose is to consider material bid submissions and to determine whether such bids meet the Group's financial, commercial and legal objectives.

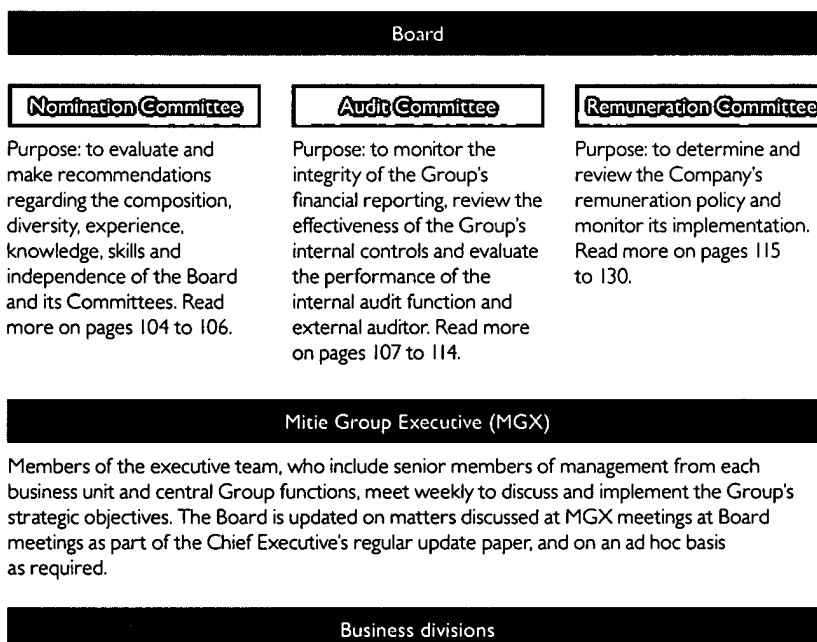
Terms of Reference for the Company's formal Committees are available at www.mitie.com/investors/corporate-governance.

Company purpose

As detailed on page 2 of the Strategic report, the Company's purpose is that: our expertise, care, technology and insight create amazing work environments, helping our customers be exceptional, every day.

Purpose of the Board

The purpose of the Board is to provide leadership and direction to the Group's management within a framework of controls



which enable risk to be adequately assessed and managed. The Board is responsible and accountable to shareholders for the sustainable long-term success of the Company. Subject to UK company law and the Articles of Association, the Directors may exercise all the powers of the Company, may delegate authority to Committees and may delegate day-to-day management and decision-making to individual Executive Directors. The purpose of each Board Committee is summarised above and set out in more detail in the Committee report.

Matters reserved for the Board

A schedule of key matters and responsibilities that are to be dealt with exclusively by the Board is maintained and regularly reviewed. The schedule was last reviewed by the Board in January 2022.

The key responsibilities of the Board include:

- ➊ Approve the Group's long-term objectives and commercial strategy
- ➋ Establish the Group's purpose and values and satisfy itself that these, its strategy and culture are aligned
- ➌ Review performance in light of the Group's strategy, objectives, business plans and budgets
- ➍ Approve the half-yearly financial report and Annual Report
- ➎ Approve the annual budget, treasury policies and dividend policy

- ➏ Review the effectiveness of the Group's risk management and internal control processes
- ➐ Approve all material acquisitions, material disposals, and material contractual and other operational matters
- ➑ Ensure adequate succession planning for the Board and senior management
- ➒ Undertake a formal and rigorous review annually of its own performance and that of its Committees and individual Directors
- ➓ Make arrangements for dialogue with shareholders, canvassing shareholder opinion and engagement with shareholders in relation to any shareholder resolution which is opposed by more than 20% of the votes cast

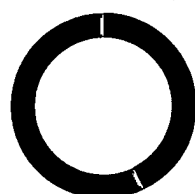
Board meeting process

The Chairman is responsible for setting the Board meeting agenda and for ensuring that the style and tone of Boardroom discussions promote effective decision-making and constructive debate.

Each Board meeting agenda is produced in consultation with the Chairman using items from a yearly meeting planner, actions arising from prior meetings, project progress updates and any relevant governance and regulatory matters. Items may also be added to the agenda at the request of a Board member or in response to emerging issues.

Board composition dashboard

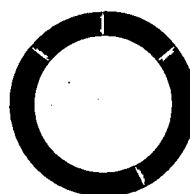
Gender diversity as at 31 March 2022



● Female
● Male

3
4

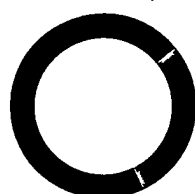
Director age range as at 31 March 2022



● 41–50
● 51–60
● 61–70
● 71–80

1
2
3
1

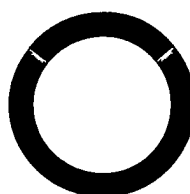
Director independence as at 31 March 2022



● Chairman
● Executive
● Independent

1
2
4

Director tenure as at 31 March 2022



● Less than 4 years
● 4–5 years
● 5–6 years

1
5
1

Director attendance at meetings of the Board and its Committees

Position	Name	Board	Nomination Committee	Audit Committee	Remuneration Committee
Chairman	Derek Mapp	6/6	2/2	–	–
Executive Directors	Phil Bentley	6/6	–	–	–
	Simon Kirkpatrick	6/6	–	–	–
Independent Non-Executive Directors	Nivedita Krishnamurthy Bhagat*	5/5	0/1	7/7	–
	Baroness Courtie**	4/6	2/2	6/8	–
	Jennifer Duvalier	6/6	2/2	–	5/5
	Mary Reilly	6/6	2/2	8/8	5/5
	Roger Yates	6/6	2/2	8/8	5/5

* Nivedita Krishnamurthy Bhagat resigned from the Board on 17 February 2022.

** Baroness Courtie was unable to attend some meetings due to ill-health.

Attention is given to timings for each agenda item to ensure that adequate time is allocated for effective discussion and debate.

To allow sufficient time for the Directors to review Board meeting materials and seek any clarification needed ahead of the meeting, Board meeting materials are distributed to the Directors not less than five clear calendar days prior to the meeting via a secure electronic Board portal.

To ensure that Board meeting materials are of a consistent high standard, Board paper guidelines and templates are issued to authors of those materials.

An important element of Mitie's culture is that the Group operates as 'One Mitie' and collaborates effectively across business areas. Mitie's culture facilitates greater consistency in processes and information control which in turn

facilitates the preparation of consistent, high-quality and relevant Board meeting materials. Authors of Board meeting materials seek to appropriately consider the impact, views and needs of key stakeholder groups, as well as the likely consequences of decisions in the long term, helping to aid Board discussions and decision-making.

The Chairman ensures that all Directors feel they can voice their opinion, be listened to and contribute to the decision-making process.

Function heads and members of management are invited to attend Board meetings to present their items to the Board and answer questions.

Advice of the Company Secretary

All Directors have access to the advice of the Company Secretary through various channels, including the Chief of Staff, General Counsel &

Company Secretary's Board report, which is presented at every Board meeting, and a secure electronic Board portal which is kept up to date with the latest governance-related information and guidance. The Chief of Staff, General Counsel & Company Secretary and Company Secretariat team are also available to the Directors on an ad hoc basis as required. The Chief of Staff, General Counsel & Company Secretary helps the Board ensure it has the appropriate policies, processes, information, time and resources it needs in order to function effectively and efficiently.

The Board is responsible for the appointment and, where applicable, removal of the Company Secretary.

Stakeholder engagement

Stakeholder engagement mechanisms and Section 172(1) statement

The Board acknowledges the importance of forming and retaining sound relationships with all stakeholder groups. Accordingly, the Board reviewed and discussed the Group's key stakeholders along with the engagement mechanisms in place to ensure that they support effective, two-way communication. These are kept under periodic review to ensure ongoing effectiveness. The Board maintains a stakeholder map which is used to support the Board's reporting requirements under Section 172(1) of the Companies Act 2006. More details on the Group's stakeholder engagement mechanisms can be found on pages 30 to 32. Details of stakeholder activities undertaken by the Board can be found on page 93. Details of activities undertaken by Jennifer Duvalier in her role as designated Non-Executive Director responsible for oversight of the Board's engagement with the workforce can be found on pages 98 to 99.

Mitie's Section 172(1) statement detailing how the Board has engaged with the Group's stakeholders and approached decisions made during the year can be found in the Strategic report on pages 81 to 82.

Dialogue with shareholders

The Board is committed to ongoing and proactive dialogue with shareholders. A full programme of formal and informal events, institutional investor meetings and presentations is held throughout the year. This programme of shareholder engagement aims to ensure that the performance, strategies and objectives of the Group are clearly communicated to the investment community and provides a forum for institutional shareholders to address any issues. Mitie engages proactively with the investment community and sell-side and buy-side analysts and accommodates requests for meetings and calls with senior management from existing and potential institutional investors. The programme is led by the Executive Directors with support from the Investor Relations team.

The Board is regularly kept informed of investor feedback, stockbroker updates and detailed analyst reports. A Board report is prepared by the Group IR Director for every Board meeting as set out under Boardroom discussions on page 95. The Chairman is responsible for ensuring that the Board is made aware of any issues or concerns of major shareholders, and the Chairman and Senior Independent Director are available to meet with shareholders upon request. Committee chairs seek engagement with shareholders on significant matters related to their area of responsibility.

2022 Annual General Meeting

Mitie's Annual General Meeting (AGM) will be held on 26 July 2022 at 11.30am at Level 12, The Shard, 32 London Bridge Street, London SE1 9SG and on an electronic platform.

The Board recognises that the AGM is an important event in the Company's corporate calendar, providing an opportunity to engage with shareholders. Therefore, to maximise engagement, the Company will hold the AGM as a combined physical and electronic meeting (a hybrid meeting). This will enable shareholders to attend the AGM remotely and to vote and ask questions in real time. Shareholders will be able to attend and vote at the AGM using electronic facilities and ask questions using either the telephone or electronic facilities – instructions on how to do this are set out in the Notice of AGM.

The Board also encourages shareholders to appoint the chairman of the AGM as their proxy and provide voting instructions in advance of the meeting in accordance with the instructions set out in the Notice of AGM.

Resources for shareholders and other stakeholders

Mitie has a specific area dedicated to investor relations on its website (www.mitie.com/investors) where the information detailed below can be found:

- Latest results including half-year and full-year results presentations
- Financial reports and calendar
- Shareholder information
- Share price tools
- Corporate governance information
- Regulatory announcements

Dialogue with shareholders		2021	Board activities: stakeholder engagement	
The Chairman, accompanied by an Independent Non-Executive Director, met all top 10 shareholders as part of an annual roadshow. Apr – Jul Engagement meetings were held with a significant proportion of major shareholders on remuneration policy matters. Following publication of the FY21 results, one-to-one meetings were held with institutional investors. The 2021 Annual General Meeting was held in London as a combined physical and electronic meeting (a hybrid meeting). At the meeting, all resolutions passed, with more than 70% of the votes cast in favour. The resolutions which received a vote of more than 20% against (as a percentage of the number of votes cast) were in respect of the remuneration report, remuneration policy, authority to disapply pre-emption rights for the purposes of acquisitions and capital investments and the Enhanced Delivery Plan (EDP). The Company undertook extensive consultation with major shareholders prior to the AGM regarding remuneration matters and some changes were made to the final EDP to reflect shareholder feedback. The Board has a clear understanding of the reasons why a minority of shareholders were not supportive of the EDP. One major shareholder voted against the resolution related to the authority to disapply pre-emption rights for the purposes of acquisitions and capital investments and the Board has a clear understanding of their rationale for not supporting this resolution. The Board appreciated the level of engagement with many shareholders. Ad hoc meetings were held with institutional and retail investors throughout the year, including attendance at investment conferences.		Apr		
		Jun	Following publication of the FY21 results, a Virtual Town Hall event was held, with all colleagues invited to join.	Meeting was held with banks and noteholders to present FY21 results.
				Jun – Jul Team Talk Live 2021 took place, with all colleagues invited to join. Further detail can be found on page 38.
		Jul	Jul – Aug Meetings were held with banks to discuss revolving credit facility refinancing.	
		Aug	Meeting was held with banks and noteholders to present management information pack.	
		Sept	Visit to Manchester Technical Services Operating Centre (TSOC).	
		Oct	Cabinet Office Strategic Supplier Annual Review.	Meeting was held with noteholders to discuss US Private Placement refinancing.
		Nov	Following publication of the HY22 results, a Virtual Town Hall event was held, with all colleagues invited to join.	Hosted a 'Decarbonising the Public Built Estate' event with politicians, senior civil servants, experts and industry leaders to discuss the drive towards Net Zero.
		2022		
		Feb	Town Hall event for colleagues in Bristol, with Executive Directors and other MGX members in attendance.	
		Mar	Town Hall event for colleagues at Manchester TSOC, with all Board members in attendance.	

Strategy and the Boardroom

Setting strategy

The Board reviews and agrees the strategy for the Group on an annual basis and reviews aspects of strategy at Board meetings during the year. The Board considers a wide range of matters when setting Group strategy, including, but not limited to:

- Market overview
- Customer trends
- Competitor environment
- Investor sentiment and shareholder returns
- Divisional business strategies
- Environmental, Social and Governance (ESG) and sustainability
- Finance
- People and talent

A strategy day was held in September 2021 and was attended by Board members. On the day, the Board debated intervention and investment plans for achieving Mitie's strategic imperatives of growth, enhanced margin, cash generation and accelerated enablers.

How governance contributes to the delivery of strategy

Details of how opportunities and risks to the future success of the business have been considered and addressed can be found in the Strategic report on pages 22 to 25, 46 to 49 and 66 to 77. Details of the sustainability of the Company's business model can be found in the Strategic report on pages 28 to 29. Mitie's governance framework underpins the delivery of strategy and can be found on page 90. An overview of Mitie's strategy can be found in the Strategic report on pages 6 to 12.

Boardroom discussions

The Board held six formal scheduled meetings during FY22. Individual Director attendance at each meeting and a timeline setting out stakeholder related events attended by members of the Board can be found on pages 91 and 93 respectively.

In undertaking their duties, the Directors act in a way they consider, in good faith, will be most likely to promote the success of the Company for its shareholders as a whole, having regard also to other stakeholders.

Further detail on Boardroom discussions relating to certain key Board decisions can be found in the Section 172(1) statement on pages 81 to 82.

Strategic pillar: grow Mitie



Disposal of Document Management	The Board debated and approved the disposal of Mitie's Document Management business to Swiss Post Solutions which completed on 30 September 2021. The sale of Mitie's Document Management business aligned with the Group's strategy of realising value from non-core businesses to allow reinvestment in higher growth opportunities.
Acquisition of DAEL Ventures, P2ML and 8point8	The Board debated and approved the acquisition of DAEL Ventures which completed in August 2021, P2ML which completed in April 2022 and 8Point8 which completed in May 2022. The acquisition of DAEL Ventures, P2ML and 8Point8 broadened Mitie's scale and expertise in the fast-growing telecoms sector and aligned with the Group's growth and margin enhancement strategies.

Strategic pillar: margin enhancement



Integration synergies	Regular updates on integration activities were delivered to the Board and discussed at meetings. These included updates in relation to finance, people, property and technology integration initiatives.
Project Forté	The Board was regularly updated on Project Forté, the digital transformation and modernisation of the technology infrastructure for Engineering Services.
Procurement savings	The Board was regularly updated on key improvement projects aimed at standardising and improving Mitie's procurement policy and processes as part of the integration of Interserve.
Annual operating plan	The Board reviewed and approved the Group's annual operating plan for FY23 in March 2022.

Strategic pillar: generate cash



Revolving credit facility	The Board approved a new £150m revolving credit facility for a period of four years from October 2021, with the option to extend for a further year. The new revolving credit facility replaced a £250m facility which was amended and extended in the early days of the COVID-19 pandemic in June 2020 and is on significantly more favourable terms.
US Private Placement	The Board debated and approved the issuance of £120m of US Private Placement notes. The new notes will be formally issued under a delayed funding arrangement in December 2022, avoiding overlap with the existing £121.5m of notes that mature in December 2022. The new notes are split equally between 8, 10 and 12 year maturities and will be issued at an average coupon of 2.94%, significantly below the current coupon.
Dividend	The Board reviewed and approved the reintroduction of an interim dividend payment. In doing so, the Board considered the Group's cash generation and performance of the underlying business, which had returned to pre-COVID levels, and noted that furlough support received for colleagues at Mitie's own operations had been repaid.

Capability enablers: 'Great place to work'



Employee engagement	The Board received and discussed the results of the spring 2021 employee engagement survey, Upload, and identified areas for improvement action to be taken in FY22. Further information can be found on page 97. The Board was updated on Mitie's virtual engagement festival, Team Talk Live 2021, including employee feedback on the event and engagement data.
Diversity and inclusion	The Board was regularly updated on Mitie's bespoke conscious inclusion programme, Count Me In, and activities undertaken throughout FY22 by Mitie's diversity networks.
Employee voice in the Boardroom	Jennifer Duvalier is Mitie's designated Non-Executive Director responsible for oversight of the Board's engagement with the workforce. She voiced what she heard and learnt from frontline employees at employee listening sessions and discussed key themes with the Board. After each employee event, Jennifer also shared a summary of specific items of feedback with the Board. Further information on Jennifer's activities in this role can be found on pages 98 to 99.
People Moves project	The Board was updated on the People Moves project which involved the transition of all legacy Interserve colleagues onto Mitie HR systems. Transferred colleagues have access to Mitie's HR systems and access to benefits available to all Mitie employees.

Capability enablers: Science of Service (Technology)



SAP implementation	The Board was regularly updated on the project to move Technical Services off the Oracle finance platform and Interserve off the AX12 finance platform onto SAP. Moving towards one finance platform across Mitie brings better control as it allows greater automation and control of transaction processes.
Client technology journey	The Board was updated on the roll-out of Mitie's award-winning, cutting-edge Connected Workspace technology on legacy Interserve contracts.

Capability enablers: decarbonisation



Acquisition of Rock Power Connections (Rock)	The Board debated and approved the acquisition of Rock which completed on 31 October 2021. The acquisition of Rock enhances Mitie's ability to offer a truly end-to-end solution to meet customers' Net Zero goals, and to capture a greater share of the fast-growing high voltage electric vehicle charging market. The acquisition of Rock was in line with Mitie's strategy of investing in high growth, high return businesses within the energy space.
Net Zero estate	The Board was updated on progress towards achieving Mitie's commitment to a Net Zero estate by 2025. This included achievement of Mitie's target of four Net Zero properties by the end of FY22.

Standing agenda items:

Committee updates	At every Board meeting a verbal update was provided by the chair of each Board Committee. Updates included an overview of any Committee meetings and any recommendations from the Committee requiring approval by the Board.
Chief Executive's update	At every Board meeting the Chief Executive presented a paper on topics such as: • Business highlights • Sales and marketing • Information systems and technology • Key project and divisional updates The Chief Executive's update paper incorporates matters relating to strategy and matters discussed at MGX meetings and Bid Committee meetings.
Chief Financial Officer's update	At every Board meeting the Chief Financial Officer presented on topics such as: • Financial performance of the Group • Interserve finance integration • Refinancing Further detail about the refinancing can be found under 'Revolving credit facility' and 'US Private Placement' above.
Chief of Staff, General Counsel & Company Secretary's update	At every Board meeting the Chief of Staff, General Counsel & Company Secretary presented a paper on topics such as: • QHSE performance and statistics • Fleet road safety and electric vehicle numbers • HR and colleague-related matters • Diversity and inclusion network activities • Internal and external communications • Whistleblowing • Governance and regulatory matters
Investor relations	An investor relations report was presented at every Board meeting on topics such as: • Share price performance • Investor engagement and feedback • ESG ratings • Analyst research and consensus • Share register analysis • Sector news

Culture at Mitie

Culture at Mitie is underpinned by its purpose: Our expertise, care, technology and insight create amazing work environments, helping our customers be exceptional, every day.

Mitie is a people business, offering facilities management services that are driven by Mitie colleagues. Mitie's vision is to be the destination employer in the facilities management industry, creating a 'Great place to work', and a truly inclusive culture where our people are supported to achieve their potential. Further detail can be found in the People section on pages 37 to 40.

All Directors lead by example and promote the desired culture.

Alignment of remuneration and culture

Successful people and organisations are clear about what they want to achieve, how they are going to get there and their progress along the way. The annual employee appraisal (MiReview) process allows Mitie to set SMART objectives in areas that really add value to the business, build development plans that help colleagues achieve their objectives and personal development goals, and ensure pay reviews are carried out in a transparent way, related directly to individual performance.

Details on Mitie's approach to investing in and rewarding its workforce are set out on pages 37 to 40 and Mitie's Real Living Wage commitment on page 37.

Ethics

Mitie is committed to promoting diversity and equality, eliminating discrimination and encouraging inclusivity among colleagues. All colleagues are required to adhere to Mitie's key ethics and compliance policies, which include the Employee Handbook, Ethical Business Practice Policy, People Policy and Inclusion Policy. Colleagues are encouraged to report any behaviours that they believe do not comply with the policies or do not meet the standards of conduct expected at Mitie. Channels for raising any such concerns include Mitie's independent whistleblowing service, line managers, People Support or directly with the Chief Executive via email to Grill Phil. Mitie's award-winning conscious inclusion development campaign, Count Me In, is available to all colleagues and continued throughout FY22. During the year, a new module 'Inclusive Leader' was incorporated into Mitie's Licence to Lead programme. The new module explores what inclusivity is, and why it is important in leadership and identifies practical steps leaders can take to create an inclusive culture. Further details on Mitie's Count Me In programme can be found on page 39.

CMA Investigation

As announced on 4 March 2022, the Competition and Markets Authority (CMA) launched an investigation into the participation by Mitie, Mitie Care and Custody Limited and PAE Incorporated in the ongoing procurement processes run by the UK Government (Home

Office) for the contracts to supply certain services at Heathrow and Derwentside Immigration Removal Centres (IRC) in the UK. Mitie withdrew from the Derwentside IRC tender process, without submitting a bid, due to the Home Office's 'lotting' conditions, which would have prevented a single bidder from winning both contracts. Mitie confirms that it remains engaged in the Heathrow IRC tender process, through Mitie Care and Custody Limited.

Mitie strongly condemns anti-competitive practices and is co-operating fully with the CMA and the investigation. Mitie is confident that it has no case to answer and will be fully exonerated.

How the Board assesses and monitors culture

Mitie's core values help define the behaviours of its people and underpin its vision of The Exceptional, Every Day. An important element of Mitie's culture is establishing a 'One Mitie' way of operating across the business. The 'One Mitie' way leads to consistent, high-quality and relevant information flows across the business.

These information flows, together with direct engagement from each business, are key to the Board's oversight of cultural matters. Mitie also measures several non-financial KPIs such as staff turnover, employee engagement, Net Promoter Score and lost time injury frequency rate, which allow trends and changes to be identified and monitored.

In March 2022, all Board members attended an in-person Town Hall event to speak to employees face to face. Jennifer Duvalier, Mitie's designated Non-Executive Director responsible for workforce engagement, also undertook a full programme of in-person and virtual employee listening sessions throughout the year. Further details of Jennifer's role and activities can be found on pages 98 to 99.

Several all-employee virtual events were also hosted throughout the year by the Executive Directors and members of the MGX, some of which were also attended by Non-Executive Directors. Virtual events held included the ability for employees to ask questions of management via a chat box (anonymously if preferred). Details of Team Talk Live 2021, Mitie's virtual employee engagement festival of events, can be found on page 38.

Set out below are further examples of how the Board monitors culture:

Whistleblowing

Mitie has an independent whistleblowing service, 'Speak Up', to enable employees, customers, suppliers and third parties to report any concerns or wrongdoing anonymously without any fear of retaliation. During FY22, the Group moved to a whistleblowing service platform, EthicsPoint

which is managed by an independent third-party service provider, Navex Global. The service can be accessed via a freephone hotline number and a web portal, details of which are made available to employees in multiple languages via workplace posters, our Employee Handbook, Intranet and MitiePeople.com. The service can also be accessed by customer and supplier personnel as well as members of the public with details being provided via www.mitie.com.

The whistleblowing service and related internal procedures are structured to ensure that all reports are reviewed and investigated independently from the area of the business to which they relate, thereby minimising the risk of conflicts arising. All reports are copied to and reviewed by a central Whistleblowing Investigation Group which includes Deputy General Counsel and senior members of the Group's Internal Audit function. This helps to ensure transparency and enables any trends to be identified and addressed.

An update on whistleblowing activity is provided to the Board at every Board meeting and to the MGX as appropriate. The update to the Board includes details of incident reports received in the period between meetings as well as details of ongoing investigations. The introduction of EthicsPoint has provided improved reporting capabilities, including the ability to report by business division and by investigation status/outcome. This improved functionality enhances the Board's ability to effectively track the progress of investigations and to monitor and address trends across individual business units and the Group as a whole.

QHSE/LiveSafe

The health and safety of its people is the highest priority for Mitie as a business. Mitie is constantly striving to develop a zero-harm workplace. Coordinated by Mitie's QHSE team, the LiveSafe programme was launched in December 2018. This highlights the importance of workplace safety and was developed out of the need to constantly improve QHSE performance across the business.

During FY22, the Board was updated on Mitie's first 'LiveSafe Zero Harm Week' which involved QHSE leaders from across the business taking to the virtual stage to highlight QHSE focus areas, including mental health, wellbeing, environmental compliance and fleet safety. Mitie colleagues were invited to get involved by joining events and sharing safety stories.

Colleagues' perception of workplace safety at Mitie is high, with four in five colleagues who responded to Mitie's annual employee engagement survey agreeing that it is important at Mitie.

A non-financial QHSE KPI is included in the Group's reporting: the lost time injury frequency rate (read more on page 18).

2021 Upload survey

Mitie's annual employee engagement survey, Upload, provides feedback that can be acted upon by management to improve the experience of working at Mitie. The results of the survey provide the Board with a Group-wide snapshot of how employees rate Mitie's culture and employee engagement. A timeline with details of how this information reaches and is considered by the Board can be found below.

Date	Action
April – May 2021	The 2021 Upload engagement survey was launched. The survey was open to all employees, was translated into various different languages and could be completed through several different mediums to enable maximum participation.
June 2021	Survey results were presented to the Board at its June 2021 meeting and focus areas for improvement were identified. Further detail on focus areas can be found in the table below. As Mitie's designated Non-Executive Director for workforce engagement, Jennifer Duvalier worked closely with management to analyse the results of the survey. Further detail on Jennifer's activities in this role can be found on pages 98 to 99.
July 2021 – February 2022	Next steps and plans to address the matters raised from the 2021 Upload survey were established. Initiatives taken in response to the survey, details of which can be found in the table below, were communicated to colleagues throughout the year.
Early March 2022	The 'You Said, We Did' campaign was launched to highlight steps undertaken by management during the year in addressing the areas identified. The campaign was communicated to colleagues through several different mediums. Colleagues were actively encouraged to respond with further feedback on how the initiatives were progressing and their thoughts on the impact that the initiatives were having, both positive and negative. This additional feedback allowed management to review, consider and shape the initiatives to ensure that they continued to effectively address the matters raised in the Upload survey.

Upload survey insights and actions taken

Upload survey insights (You Said)	Action taken (We Did)
Reward and recognition • Determine the right benefits for frontline colleagues • Improve instant recognition offering	• Awarded free shares to all Mitie colleagues in May 2021 • Relaunched Mitie's all-employee Share Incentive Plan in October 2021, increasing the matching share ratio to give colleagues one matching share for every two partnership shares acquired • Launched enhanced maternity and adoption pay in November 2021 • Introduced a new sabbaticals procedure in November 2021 • Launched a benefits advent calendar in December 2021 with over 100 prizes won by colleagues
A 'Great place to work' • Deliver and promote Mitie's ESG commitments • Continue to improve learning and development offering	• Target set for Mitie to have a Net Zero estate by 2025 • ESG-related content featured in weekly Recap email newsletters sent to colleagues throughout the year • Created a catalogue of e-learning courses to help colleagues navigate Mitie's digital offering • Learning Hub licences provided to all Mitie colleagues (former Interserve frontline colleagues hadn't had these previously)
Empowerment and autonomy • Listen to colleagues and continue to give them a voice	• Full programme of activities, including listening sessions, undertaken by Jennifer Duvalier in her role as designated Non-Executive Director for workforce engagement • You Said, We Did campaign following Upload survey
Systems, processes and technology • Improve self-serve support and laptop monitoring • Integrate people systems to speed up data processes	• Redesigned Mitie's IT support homepage, highlighting FAQs with the use of self-help videos • Rolled out over 3,000 laptops, delivering improvements in memory and performance • Migrated over 11,000 colleagues onto WorkPlace+
Senior leadership team • Ensure senior leadership is visible and accessible	• All colleagues were invited to join Team Talk Live 2021, Mitie's virtual employee engagement festival of events, which was held across June and July 2021. As part of Team Talk Live 2021, colleagues had the opportunity to join members of the MGX and Mitie Leadership Team over breakfast or lunch to get to know them better and ask questions. Three live 'Grill Phil' events were also held, with the Chief Executive available to answer questions from colleagues • Mitie's Big Equality Summit #3 was also held as part of Team Talk Live 2021. At the summit MGX members shared feedback they had received from other colleagues as part of the Count on Us 'truth teller' exercise • Rolled out monthly managers' calls across more business divisions • Held Town Hall event with Executive Directors and other MGX members in Bristol in February 2022 • Held Town Hall event with the Board in Manchester in March 2022

Culture at Mitie continued



Designated NED for workforce engagement

Jennifer Duvalier is Mitie's designated Non-Executive Director responsible for oversight of the Board's engagement with the workforce. Jennifer participates directly in employee engagement initiatives and carried out a full programme of activities during FY22. Jennifer encourages colleagues to share their views and champions their voice in Board discussions.

Why Jennifer?

Prior to joining the Board in 2017, Jennifer had a long career in HR working in several large, people-driven companies going through real transformation. Jennifer brings this wealth of experience to Mitie and therefore the Board considered Jennifer to be the Board member most suited to becoming Mitie's designated Non-Executive Director for workforce engagement.

Jennifer's thoughts

"I have always come away from my visits, in person and virtual, with a very strong and positive impression of how dedicated our frontline colleagues are to supporting our customers, in very challenging circumstances, and I emphasise this to my Board colleagues in my reports back to them.

Given that Mitie is the sum total of our people, this commitment is such a source of strength, and is to be valued as highly as our other assets."

Board expectations

The Board is at the forefront of the journey to make Mitie a 'Great place to work' and is keen to understand the views of all employees and the impact its decisions have on them.

Jennifer engages with the workforce on behalf of the Board and provides a channel for colleagues in the Boardroom. Jennifer regularly shares what she has heard and learnt with the Board at Board meetings, using her insights to add an important perspective to discussions and decisions. This ensures employee voices are heard and considered as the Board makes decisions that influence the future of Mitie.

A summary of Jennifer's discussions is also shared with the Board ahead of meetings and, where there are specific matters raised, with members of senior management to ensure those matters are considered and appropriately addressed.

Jennifer's site visits

Jennifer's role as designated Non-Executive Director for workforce engagement is supported by members of Mitie's HR team. The team approaches account directors and managers from across the Mitie business to ask if they would like to host Jennifer at their site.

Details of actions taken in response to feedback received by Jennifer are shared across Mitie's internal communication channels, including MiNet and Recap newsletter. In these communications, colleagues are also encouraged to get in touch if they would like to arrange a visit with Jennifer for their site.

While each event varies in structure, generally Jennifer has a tour or receives an overview of the site and a one-to-one meeting with managers followed by an informal session with the site teams without managers present. No specific topics for discussion are provided in advance, though site teams are advised that Jennifer would like to hear from them about their experience of working at Mitie, whether they have any challenges, concerns or ideas for improvement, and the things that they consider Mitie does well.

Jennifer's activities

The Board considers it important that employee views are heard through several mediums, including feedback from managers, surveys, internal communications and digital channels (such as Yammer), to develop a positive culture across the business.

Therefore, as well as the site visits and virtual listening sessions noted opposite, Jennifer is fully involved in a range of other activities, including analysing the feedback from Mitie's Upload surveys and Pulse surveys, championing employee voice events for the Board and senior management, spending time with HR teams, attending listening and virtual Q&A events, and inviting employees to contact her directly via her Mitie email address.

During the COVID-19 pandemic, Jennifer continued her work by hosting numerous virtual meetings with employees.

Why the role adds value (over and above other employee engagement mechanisms)

In carrying out her role, Jennifer meets people across the business and listens to their views and experiences to understand first-hand what they value about Mitie and what they would like to be different. Being a member of the Board, Jennifer is also able to instil confidence that employees' views are being heard at the highest level of the organisation. In analysing the feedback received from Jennifer, the Board can quickly identify any recurring concerns across the business and provide assurance that these will be managed effectively and efficiently.

Jennifer's learnings and how the Board has responded

Themes identified from Jennifer's listening sessions include:

- Benefits and recognition
- Technology and access to systems
- Training and career progression
- Communications

The wider Board will join Jennifer Duvalier in running listening sessions during FY23.

Jennifer Duvalier's activities

2021

Apr	Virtual listening session with Network Rail colleagues
Jun	Virtual listening session with Falkland Islands colleagues Virtual listening session with Thales colleagues
Sept	Visit to Manchester TSOC and dinner with Technical Services leadership team
Oct	Virtual listening session with GSK (Ware and Barnard Castle) colleagues
Nov	Virtual listening session with Lloyds Banking Group (Edinburgh) colleagues

2022

Jan	Virtual listening session with University College London Hospital (UCLH) colleagues
Feb	Listening session with frontline colleagues on reward and executive remuneration
Mar	International Women's Day 'Exceptional Women in Business' event at Manchester TSOC.

Details of actions taken in response to feedback received are set out below.

Benefits and recognition

Positive feedback	Improvement areas	Actions taken
New benefits, specifically life assurance, free shares and the Virtual GP service, were well received. Colleagues felt supported through COVID-19. There was positive acknowledgement of the support and encouragement for frontline colleagues to be vaccinated, including confirmation that hourly paid workers would be paid for time taken to get vaccinated during a shift.	Colleagues like the Mitie Stars recognition scheme, but some felt that the scheme could be enhanced to act as more of an incentive, with more generous awards. Visibility of available benefits was cited as an issue for some. Free shares not being available to overseas colleagues was raised as demotivating in the Falkland Islands session.	Conducted a reward survey in September 2021. The 4,000 responses received helped to reshape Mitie's Stars and long service programmes which are due to be relaunched in FY23. Benefits were regularly promoted through Group communication channels, including Mitie's weekly all-colleague email newsletter (Recap), monthly line-manager cascade communications (Download) and Mitie's intranet site (Minet). Explored options for awarding free shares to overseas colleagues and made arrangements for an alternative solution to align with the UK colleague benefit.

Technology and access to systems

New laptops and mobile phones well received by colleagues who transferred from Interserve.	Sometimes a delayed response for IT support, and access not always available. Ticketing system wasn't felt to work as efficiently as it could all of the time. Poor internet connectivity, hindering ability to access corporate information, training and other services.	Set up self-service automations to reduce the need to contact the IT service desk. Redesigned Mitie's IT support homepage, as detailed on page 97, in response to Mitie's Upload 2021 survey. Improved Wi-Fi networks at multiple sites.
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Training and career progression

Several colleagues applauded the access to training and development opportunities at Mitie. Apprenticeships were described as "more accessible than in the past" with positive acknowledgement of the encouragement and support for these from managers.	Some colleagues raised a lack of clarity on what training is available to them and how to access this. There was a request for the Mitie mentoring programme to be reinvigorated, as it was difficult to source mentors from beyond the account team. Colleagues would like to have access to tablets so that those who don't have easy access to technology and/or who lack confidence online can identify and enrol for training. This was highlighted in relation to cleaning and catering colleagues working in frontline roles.	Launched a Learning & Development SharePoint site to help colleagues access Mitie's full Learning & Development offering. The site was promoted to colleagues throughout People Celebration Month, held in January 2022, to raise awareness. Plans put in place to launch a Mentoring Hub. UCLH contract management team purchased six tablets and docking stations to enable colleagues to access the Learning Hub more easily.
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Communications

Corporate and local communication throughout the COVID-19 pandemic was felt to have been very good, with both the level and frequency of information appropriate, including to those on furlough.	Although communication is good, there is a need to ensure that the communication cascade process includes all colleagues, including those who don't have access to IT. Desire for more personalised communication. Some colleagues felt overwhelmed by communications and needed more signposting to what is most relevant for them.	Plans put in place to audit Mitie's internal communication channels to improve efficacy and reach. Launched People Celebration Month across Mitie and externally on social media to amplify the diversity of roles, skills and career opportunities. This included a week-long focus on frontline colleagues. GSK contract management team has introduced noticeboards with 'what's going on' to improve communication on site.
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Division of responsibilities

Board composition

Chairman

Derek Mapp

Executive Directors

Phil Bentley

Simon Kirkpatrick

Senior Independent Non-Executive Director

Roger Yates

Independent Non-Executive Directors

Nivedita Krishnamurthy Bhagat*

Baroness Courtie

Jennifer Duvalier

Chet Patel**

Mary Reilly

Salma Shah**

* Nivedita Krishnamurthy Bhagat resigned from the Board on 17 February 2022.

** Chet Patel and Salma Shah were appointed to the Board on 1 April 2022.

Biographies of the current Directors can be found on pages 87 to 89.

All Non-Executive Directors are considered independent when assessed against the circumstances set out in Provision 10 of the Code. The Chairman was considered independent against these circumstances on appointment.

The Board continues to support separation of the roles of Chairman and Chief Executive and considers itself to have an appropriate balance of Executive Directors and Independent Non-Executive Directors. No one individual or small group of individuals dominates Board decision-making.

There is a clear division of responsibilities between leadership of the Board and executive management leadership of the Company's business. Key responsibilities of the Board, its Committees and its members are agreed by the Board and documented in writing.

These responsibilities are summarised below. Further detail is publicly available at www.mitie.com/investors/corporate-governance where the following documents are published:

- Matters reserved for the Board
- Terms of Reference for each Committee of the Board
- Division of Responsibilities between the Chairman and Chief Executive

Chairman

In his role as Chairman, Derek Mapp's responsibilities include:

- Lead and chair the Board, Nomination Committee and shareholder general meetings
- Ensure overall effectiveness of the Board in all aspects of its role
- Ensure regularity and frequency of Board meetings
- Set Board agendas, taking into account the issues and concerns of all Board members
- Ensure appropriate delegation of authority from the Board to executive management
- Demonstrate objective judgement
- Promote a culture of openness and debate
- Ensure that Directors receive accurate, timely and clear information
- Manage the Board to ensure sufficient time is allocated to promote healthy discussion and open debate, supported by the right level and quality of information to assist the Board in reaching its decisions
- Facilitate the effective contribution of Non-Executive Directors and encourage active engagement by all members of the Board
- Ensure constructive relations between the Executive Directors and Non-Executive Directors
- Hold meetings with the Non-Executive Directors without the Executive Directors present
- Ensure that new Directors participate in a full, formal and tailored induction programme
- Ensure that the performance of the Board, its Committees and individual Directors is evaluated at least once a year and act on the results of such evaluation
- Maintain sufficient contact with major shareholders to understand their issues and concerns
- Ensure that the views of shareholders are communicated to the Board

Senior Independent Director

In his role as Senior Independent Director, Roger Yates' responsibilities include:

- ➊ Act as a sounding board for the Chairman
- ➋ Serve as an intermediary for other Directors when necessary
- ➌ Conduct the Chairman's annual performance evaluation (without the Chairman present)
- ➍ Lead the appointment process for any new Chairman
- ➎ Act as chairman of the Board in the absence of the Chairman
- ➏ Be available as an alternative point of contact for shareholders if they have concerns which have not been resolved through the normal channels, or for which such contact is inappropriate in the circumstances

Non-Executive Directors

The responsibilities of the Board's Non-Executive Directors include:

- ➊ Hold a prime role in appointing and removing Executive Directors when necessary
- ➋ Scrutinise and hold to account the performance of management and individual Executive Directors against agreed performance objectives
- ➌ Exercise independent skill and judgement
- ➍ Constructively challenge proposals based on relevant individual experience, knowledge and skills
- ➎ Contribute to the formulation and development of strategy
- ➏ Monitor corporate reporting to ensure integrity of financial information
- ➐ Oversee the Group's principal risks and assurance in place relating to those risks, including internal audit programmes
- ➑ Play a key role in determining the remuneration policy for the Chairman, Executive Directors, Chief of Staff, General Counsel & Company Secretary and the senior executive team
- ➒ Hold a primary role in Board succession planning

Chief Executive

In his role as Chief Executive, Phil Bentley's responsibilities include:

- ➊ All aspects of the operation and management of the Group within the authorities delegated by the Board
- ➋ Develop Group objectives and strategy, having regard to the Group's responsibilities to its shareholders, customers, employees and other stakeholders
- ➌ Successful achievement of objectives and execution of strategy following presentation to, and approval by, the Board
- ➍ Recommend to the Board an annual budget and long-term business plan and ensure their achievement following Board approval
- ➎ Optimise the use and adequacy of the Group's resources
- ➏ Manage the Group's risk profile, including the health and safety performance of the business
- ➐ Make recommendations to the Remuneration Committee on remuneration policy, executive remuneration and terms of employment of the senior executive team

Chief Financial Officer

In his role as Chief Financial Officer, Simon Kirkpatrick's responsibilities include:

- ➊ Lead, direct and oversee all aspects of the finance and accounting functions of the Group
- ➋ Evaluate, approve and advise on the financial and commercial impact of material contracts and transactions (including mergers and acquisitions), technology investments, long-range planning assumptions, investment return metrics, risks and opportunities and the impact of changes in accounting standards
- ➌ Manage relationships with the external auditor and key financial institutions and advisors
- ➍ Ensure effective internal controls are in place and compliance with appropriate accounting regulations for financial, regulatory and tax reporting
- ➎ Lead, direct and oversee the Group's Finance, Treasury, Tax and Internal Audit functions

Chief of Staff, General Counsel & Company Secretary

In his role as Chief of Staff, General Counsel & Company Secretary, Peter Dickinson's responsibilities include:

- ➊ Advise the Board on governance matters and the Directors on their duties, including on all aspects of the Group's governance framework and the application of its delegated authorities
- ➋ Ensure compliance with corporate legislation and the Company's Articles of Association
- ➌ Support the Board in ensuring it has the policies, processes, information, time and resources needed to function effectively and efficiently
- ➍ Lead, direct and oversee the Group's Legal, Company Secretarial, HR, Pensions, Property, Procurement, Insurance, Health & Safety, Risk & Compliance and Sustainability functions
- ➎ Identify and recommend to the Board acquisitions and disposals
- ➏ Drive projects relating to mergers and acquisitions within the Group in line with authorities delegated by the Board
- ➐ Lead, direct and oversee the integration of Interserve.

Board effectiveness and evaluation

Board effectiveness

The performance of the Board is an essential component of the Company's success. The Board undertakes a formal and rigorous evaluation of its own performance and that of the Board Committees, Chairman and individual Directors annually. The evaluation considers composition, diversity and how effectively members work together to achieve objectives. The evaluation provides an opportunity for the Board to enhance its effectiveness and identify any areas for improvement. All Directors fully engage in the evaluation process and take appropriate action if development needs are identified. The evaluation is externally led every three years and internally led in other years. In years in which the evaluation is led internally, the Chairman leads this for the Independent Non-Executive Directors and Executive Directors, and the Senior Independent Director facilitates the evaluation of the Chairman.

Internal Board evaluation process

Process followed for internal FY22 evaluation:

Jan	Feb	Mar
Engagement, scope and focus of review agreed Evaluation meeting slots diarised	The Chairman conducted evaluation meetings with Board members and senior management The Senior Independent Director conducted an evaluation meeting with the Chairman	Findings were collated and evaluated The Chairman and Senior Independent Director provided a report to the Board and Committees Outcomes of the internal Board evaluation were established, and actions agreed by the Board and Committees

Outcomes from the internal FY22 evaluation

Outcomes/suggestions	Actions undertaken or planned
The Board concluded that it and its Committees had continued to operate effectively during FY22. The selection of new Non-Executive Directors was critical to addressing any gaps in experience of the Board and ensuring chemistry and collegiate working is maintained.	A full induction has been arranged for Chet Patel and Salma Shah. Committee membership has been reviewed and refreshed, in light of their appointment.
Jennifer Duvalier would continue to act as the Company's designated Non-Executive Director responsible for oversight of the Board's engagement with the workforce. However, the Chair and other Non-Executive Directors would additionally attend and participate in employee listening sessions.	A calendar of events has been agreed for FY23 which will be attended by both Jennifer and other Non-Executive Directors.
To continue to progress a number of ambitious programmes of ESG-centred activities.	The Board and Social Value & Responsible Business Committee, through its oversight and governance of all Mitie's social value and responsible business initiatives, will continue to evaluate how ESG issues affect key aspects of the business, what Mitie's ambitions and goals should be as a long-term sustainable business, and opportunities to better report on these activities.

Progress made on actions identified in prior year

The Board engaged an independent consultant, Belinda Hudson, to conduct the FY20 Board evaluation. Belinda does not have any known connection with the Company or any individual Directors. The external Board evaluation was delayed due to the COVID-19 pandemic and took place during FY21. Outcomes from the evaluation conducted for FY20 were reviewed at the March 2021 Board and Nomination Committee meetings. Progress made during FY22 on actions identified as part of the FY20 evaluation are set out below.

Outcomes/suggestions	Actions previously undertaken or planned	Progress made on actions during FY22
To review any gaps in experience of the Board	The Nomination Committee reviewed and discussed the Board skills matrix at its March 2021 meeting	The Board further reviewed the experience of its members as a whole, taking into account the resignation of Nivedita Krishnamurthy Bhagat. The Board skills matrix was discussed by the Board/Nomination Committee at its March 2022 meeting. It was recognised by the Board that the selection of new Non-Executive Directors would be key
To ensure the Chairman shares his thinking and insights to a greater extent and to hold Non-Executive Director only sessions	Two Non-Executive Director only sessions have been diarised for FY22	Recognised as important by the Chairman who provided regular updates during FY22. Non-Executive Director only sessions were held in September 2021 and March 2022
To encourage the Non-Executive Directors to provide a better balance of constructive challenge, support and recognition	Non-Executive Directors have been encouraged to undertake without compromising depth of questioning	Considered to be at the right level
To undertake a regular review of the Chief Executive and other MGX members both in performance and behaviour	To be undertaken at the two Non-Executive Director only sessions. Chief Executive to be invited to attend in part	Performance of Chief Executive and MGX members discussed at the Non-Executive Director only sessions
To encourage the Chief Executive to have regular sessions with each individual Non-Executive Director	Non-Executive Director/Chief Executive meetings to be diarised	Meetings took place during FY22 and were recognised as mutually beneficial
To encourage the Board to plan longer-term strategic options	To be undertaken at annual strategy day in September 2021 and updated at each Board meeting	Undertaken at the Board strategy day held in September 2021. Strategy-related updates were also incorporated into the Chief Executive's standing agenda item at all Board meetings. Further detail on strategy can be found on pages 6 to 12
The Board to regularly review the culture within the Board, MGX and across the Group for consistency with the Purpose, Values and Strategy	Already assessed via several mechanisms such as the designated Non-Executive Director for workforce engagement, Net Promoter Score survey and Upload survey. Will be enhanced by the whole Board through site visits when COVID-19 permit	All Board members attended a Town Hall event held at Manchester TSOC in March 2022. The Chief Executive and Chief Financial Officer additionally undertook numerous site visits during the year Further detail on how the Board monitors culture can be found on pages 96 to 99 and on Jennifer Duvalier's activities in her role as designated Non-Executive Director for workforce engagement on pages 98 to 99
To include broader management team members at Board dinners	To be planned when appropriate, subject to COVID-19 restrictions	When appropriate, other members of the MGX attended Board meetings and a Board dinner held during FY22

Nomination Committee report



The Committee's activities had particular focus on aligning our Board and leadership teams' skills with the Mitie strategy.

Derek Mapp
Chair of the Nomination Committee

As Chairman of the Nomination Committee, I am very pleased to report on the work done by the Committee during the year.

A key responsibility of the Committee is to maintain plans for orderly Board succession, and the Committee regularly receives and reviews updates on the structure, size and composition of the Board and its Committees, to ensure critical skills and experience are appropriately refreshed. On the recommendation of the Committee, Chet Patel and Salma Shah were appointed to the Board as Non Executive Directors with effect from 1 April 2022, following the departure of Nivedita Krishnamurthy Bhagat. With a background in business-to-business service environments, promoting sales and growth strategies along with his expertise in business technology and cyber security, Chet will further strengthen the commercial expertise on the Board. With a background in public policy and public affairs, Salma will bring additional public sector expertise reflecting Mitie's increased public sector focus. The Committee has also reviewed the executive talent pipeline and maintained its senior management succession plans, reflecting the Board's responsibility to ensure appropriate plans are in place.

Diversity and inclusion are essential to Mitie's purpose, and the Board received and discussed a detailed update from our Group HR Director, Jasmine Hudson, in March 2022.

Following the external evaluation of the Board in FY21, the Board agreed areas of focus for FY22. This year, the second year of our cycle, involved the Board performing an internal evaluation of progress against the FY22 areas of focus and the resulting actions, as well as agreeing new areas of focus for the coming year. Further information on this year's evaluation can be found on pages 102 to 103.

The Committee also considered the proposed election/re-election of directors at the AGM and reviewed the number of external directorships held by each Non-Executive Director.

Derek Mapp
Chair of the Nomination Committee

DocuSigned by:
Derek Mapp
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Key purpose of the Nomination Committee

The Nomination Committee evaluates the skills and characteristics required by the Board and its Committees. In doing so, the Committee considers the challenges and opportunities facing the Group and the expertise and diversity required for the future. This ensures membership of the Board and its Committees continues to remain appropriate.

Key responsibilities of the Nomination Committee

The key responsibilities of the Nomination Committee include:

- ➊ Regularly reviewing the structure, size and composition (including the skills, experience and knowledge required) of the Board and make recommendations to the Board about any changes
- ➋ Ensuring plans are in place for an orderly succession to Board and senior management positions and oversee the development of a diverse pipeline for succession
- ➌ Considering the length of service of the Board as a whole so that membership of the Board is regularly refreshed
- ➍ Identifying and nominating, for approval by the Board, candidates to fill Board vacancies as and when they arise
- ➎ Keeping under review the number of external directorships held by each Non-Executive Director
- ➏ Reviewing the results of the Board performance evaluation process that relate to the composition of the Board
- ➐ Keeping the Board Inclusion Policy under review to ensure its effectiveness and alignment with best practice

The Nomination Committee's Terms of Reference are available at www.mitie.com/investors/corporate-governance.

Nomination Committee members

At the date of this report and throughout FY22, the Nomination Committee comprised:

Chairman*: Derek Mapp

Committee members

Nivedita Krishnamurthy Bhagat
(until 17 February 2022)

Baroness Coughtie

Jennifer Duvalier

Mary Reilly

Roger Yates

- The Senior Independent Director chairs the Committee in circumstances where it would be inappropriate for the Chairman of the Board to chair the Committee.

All members of the Nomination Committee are considered independent in accordance with the Code.

Nomination Committee meetings

The Nomination Committee met twice during FY22. The attendance of individual Committee members can be found on page 91.

Key activities during the year

Composition

As it does annually, the Nomination Committee reviewed the composition and leadership of the Board and each of its Committees during FY22. The Nomination Committee is satisfied that the Board's composition and diversity has been appropriate throughout the year, having regard

in particular to the integrity, skills, knowledge and experience of its Directors and the size and nature of the business. A skills matrix can be found below.

Succession planning

The Board recognises the importance of succession planning and Board refreshment and maintains succession plans for the Board and senior management.

During FY22, the Nomination Committee discussed succession planning at both its meetings.

The Board considered both the Board skills matrix and the Board Inclusion Policy in the context of succession planning as tools to help identify potential composition needs for the future, and to ensure that plans are proactive and not just reactive in nature.

The tenure of members of the Board is relatively short, with the Chairman having been appointed in May 2017 and all the Non-Executive Directors having served for less than five years. The Committee considers tenure when determining a Non-Executive Director's independence.

All appointments to the Board are subject to a formal, rigorous and transparent appointment process, and are made based on merit and objective criteria. The Committee engaged Sam Allen Associates as the search firm involved with the recruitment of Chet Patel and Salma Shah, our most recently appointed Non-Executive Directors. The process followed for their appointment is detailed below.

Director succession process

1	Candidate requirements	A detailed candidate profile setting out required capabilities and experience was agreed. Sam Allen Associates was appointed to facilitate the process.*
2	Search	Sam Allen Associates prepared an initial longlist of candidates and conducted the first round of interviews to assess the candidates' fit with the role and key competencies.
3	Interviews	The Committee then considered a shortlist of candidates and held interviews. Subsequent interviews were held with the Chief Executive.
4	Board approval and announcement	The Committee made a recommendation to the Board for its consideration. Following Board approval, the appointments were announced in line with the requirements of the FCA's Listing Rules.

* Sam Allen Associates had no other connection with the Company or individual Directors.

Individual Director contribution

The individual skills and experience of each Director contribute to the overall effectiveness of the Board in promoting the long-term sustainable success of the Company. The table below sets out how each Director's individual skills and experience contribute to the balance required by the Board to deliver the Group's strategy and manage risk.

Further details of each Director's skills and experience are set out in their biographies on pages 87 to 89.

Board skills matrix

Skills/experience area	Derek Mapp	Phil Bentley	Simon Kirkpatrick	Baroness Couttie	Jennifer Duvalier	Chet Patel	Mary Reilly	Salma Shah	Roger Yates
Leadership and business operations	Exceptional	Exceptional	✓	✓	✓	✓	✓		✓
Strategy development	✓	Exceptional	✓	✓		✓	✓	✓	✓
Corporate governance	Exceptional	✓	✓	✓	✓	✓	✓	✓	✓
Audit/risk management and assurance		✓	Exceptional	✓		✓	Exceptional		✓
Remuneration/HR					Exceptional				✓
Commercial	✓	Exceptional	✓	✓	✓	Exceptional	✓		✓
Technology/digital				✓	✓	✓			
Finance		Exceptional	Exceptional	✓		✓	✓		✓
Investment community		Exceptional	✓	✓					Exceptional
Government/public sector experience				Exceptional			✓	Exceptional	

The collective skills and experience of individual Directors support the work of the Board and there is clear alignment between their respective competencies and the Group's strategy. Board discussions further benefit from the diversity of approach taken by each Director due to their individual background, career development and training.

Nomination Committee report continued

Director external appointments and time commitments

Directors are permitted to accept additional external appointments but must seek approval from the Board in advance. If a Director held significant additional external appointments, the reasons for permitting such appointments would be explained in the Annual Report.

When considering the appointment of a new Director, the Board reviews other demands on the candidate's time. Prior to appointment, the candidate must disclose any significant commitments and provide an indication of the time involved. The Nomination Committee fully considered the time commitments of Chet Patel and Salma Shah prior to their appointment as Non-Executive Directors and no concerns were raised.

The Nomination Committee reviewed the time commitments of Non-Executive Directors to ensure that there were no concerns regarding overcommitment. This review considered the number of appointments, their scope and the size and type of company in which the role is held, the views of major shareholders and the latest published guidelines and recommendations.

The Board remains confident that all Board members continue to have sufficient time to dedicate to their duties.

Re-election of Directors

In accordance with the Code and the Company's Articles of Association, all Directors are subject to election or re-election by shareholders. At the 2021 AGM, each Director in post at the time stood for election or re-election and was appointed or re-appointed by shareholders. At the 2022 AGM, all Directors will stand for election or re-election.

The rules governing the appointment and replacement of Directors are set out in the Company's Articles of Association, the Code, the Companies Act 2006 and other related legislation.

The terms of appointment for Non-Executive Directors and service contracts for Executive Directors are available for inspection at the Company's registered office and head office and will be available at the 2022 AGM.

Conflicts of interest

The Board has a policy on the declaration and management of Directors' conflicts of interests. Any potential situation or transactional conflict must be reported as soon as possible to the Chairman, Chief Executive and Chief of Staff, General Counsel & Company Secretary. Where a potential conflict is authorised under statutory powers and powers granted under

the Company's Articles of Association, such conflict is kept under ongoing review. Executive Directors are permitted to accept external appointments, provided these do not interfere with the Director's ability to discharge his/her duties effectively and permission is sought from the Board.

Executive Directors are entitled to retain fees earned from any external appointments. Neither Phil Bentley nor Simon Kirkpatrick held any external positions during FY22.

External positions held by the Chairman and current Non-Executive Directors are detailed in their biographies on pages 87 to 89.

Induction and training

On joining the Board, all Directors receive a personally tailored induction which includes:

- Meetings with Executive Directors, the Chief of Staff, General Counsel & Company Secretary and other members of senior management
- An overview of the Group's governance policies, corporate structure and business functions
- Details of risks and operating issues facing the Group
- Visits (in person and/or virtually) to divisional offices
- A briefing on key contracts

A similar induction has been arranged for Chet Patel and Salma Shah, to take place in May/June 2022.

All Directors have access to Mitie's Board Handbook on an electronic Board portal which includes:

- Schedule of matters reserved for the Board
- Committee terms of reference
- Articles of Association
- Guidance on Directors' statutory duties
- An overview of the Group's Directors' and officers' liability insurance arrangements
- Delegated authorities register
- Share dealing procedures
- Corporate governance and regulatory guidelines
- Key corporate documents and policies

The Board Handbook is subject to regular review and was last updated in early 2022.

Briefing notes on changes in the regulatory and governance environment are circulated to Directors on an ad hoc basis. Online training on regulatory and governance changes is also made available to the Directors. Visits (in person and/or virtually) to different business sites and offices are arranged for Directors to facilitate a deeper understanding of the business.

Diversity and inclusion

Mitie has a Board Inclusion Policy which recognises the importance of the Board's membership reflecting diversity in its broadest sense.

The policy also sets diversity objectives, including to:

- Ensure the Board's membership reflects a combination of demographics, skills, experience, race, age, gender, educational and professional backgrounds which provides a range of perspectives, insights and challenges needed to support good decision-making and reflects the diverse workforce at Mitie
- Maintain a balance so that a minimum of 40% of the Directors are women, provided this remains consistent with the skills and diversity requirements when seeking a new appointment to the Board
- Ensure at least one of the Chair, Chief Executive, Chief Financial Officer or Senior Independent Director is a woman, provided this remains consistent with the skills and diversity requirements when seeking a new appointment to the Board
- Ensure there is at least one Director from a minority ethnic background, provided this remains consistent with the skills and diversity requirements when seeking a new appointment to the Board
- Support and monitor activities to increase the percentage of senior management roles held by women and other underrepresented groups across Mitie

The policy recognises that there may be periods of time when the balance falls below this during the search and recruitment process. The Committee is pleased to report that at the date of this report, 44% of the Directors are women and there are two Directors from a minority ethnic background. Neither the Chair, Chief Executive, Chief Financial Officer nor Senior Independent Director is a woman; as vacancies arise, we will seek to address any diversity gaps in our Board while ensuring we recruit talented Board members who have the appropriate mix of skills, capabilities and market knowledge to ensure the Board is effective. A breakdown of the gender balance of those in senior management and their direct reports can be found on page 39.

Mitie's Board Inclusion Policy is available at www.mitie.com/investors/corporate-governance.

Audit Committee report



Good progress has been made by the Group to standardise processes and controls across the enlarged business, manage the associated risks and ensure rigour around the related financial reporting.

Mary Reilly
Chair of the Audit Committee

Audit Committee members

Mary Reilly was appointed as Chair of the Audit Committee on 31 July 2018, having been a member of the Committee since 1 September 2017. Mary has a wealth of experience as a Non-Executive Director and chairing audit and risk committees. She has extensive relevant and recent accounting, finance and management experience. Mary's full biography can be found on page 88.

At the date of this report, and throughout FY22, the Audit Committee comprised independent Non-Executive Directors who are all considered appropriately experienced to fulfil their duties, having held senior finance roles across a number of sectors. Their full biographies can be found on pages 87 to 89.

Chair: Mary Reilly

Committee members:

Baroness Courtie

Roger Yates

Chet Patel (appointed 1 April 2022)

Nivedita Krishnamurthy Bhagat
(resigned 17 February 2022)

Frequency of Audit Committee meetings

The Audit Committee met eight times during FY22. For the Directors' attendance, see table on page 91. Invitations to attend meetings are normally extended to the Group's external auditor, the Chairman, the Chief Executive Officer, the Chief Financial Officer, other members of the Board, the Chief of Staff, General Counsel & Company Secretary, the Director of Group Finance, the Group Financial Controller and the Head of Internal Audit.

The Audit Committee also meets with the external auditor and the Head of Internal Audit without the Executive Directors present.

Report from the Audit Committee Chair

On behalf of the Board, I am pleased to present the Audit Committee report for the financial year ended 31 March 2022. During the year, Nivedita Krishnamurthy Bhagat resigned, and Chet Patel has been appointed to the Audit Committee in April 2022. I would like to thank Nivedita for her valuable contributions during her time on the Committee and extend a warm welcome to Chet.

This report provides insight into key areas considered by the Audit Committee during the year to discharge its responsibilities in relation to financial reporting, risk management, internal control, the internal audit function, and interaction with BDO LLP (the Group's external auditor).

Following the Interserve Facilities Management (Interserve) acquisition, the Group is now a larger and more complex business. The integration of the Interserve business has proceeded as planned, resulting in the establishment of two new divisions, Communities and Central Government & Defence. The integration has also delivered the successful migration of the Interserve companies onto the Group's Enterprise Resource Planning (ERP) system, which was a complex project. In addition, the Group has acquired a number of smaller, but strategically important, businesses during the year, where integration activities have ensured robust controls and processes while seeking to preserve the entrepreneurial cultures that have made them successful.

The business also continues to focus on the implementation of its transformation programme, which was reflected in the nature of some of the matters presented for consideration at the Audit Committee. This transformation programme is scheduled to be completed in FY23.

Given the evolving environment, I have continued to make a conscious effort to meet senior finance staff throughout the year, which gave me an opportunity to gauge the extent of any significant issues that emerged and monitor progress.

Audit Committee report continued

Good progress has been made by the Group to standardise processes and controls across the enlarged business, manage the associated risks and ensure rigour around the related financial reporting, including:

- The review of balance sheets for the acquired businesses, accounting policies, processes and controls as part of the acquisition accounting and integration processes;
- Finance teams have been strengthened to manage effectively the increased complexity of the enlarged Group;
- Training has continued to be provided to finance teams of the newly acquired businesses to ensure consistent application of the Group's accounting policies;
- As revenue recognition continues to be a critical area of judgement for the Group, periodic reviews are conducted by Group Finance to assess compliance with the Group's accounting policy. One of these reviews was presented to, and discussed at, an Audit Committee meeting this year, with a particular focus on the new divisions; and
- The identification and documentation of key internal controls across the Group, strengthening these where required and ensuring controls function effectively. The main focus has been on internal controls over financial reporting in anticipation of impending UK legislation in this area.

In addition to fulfilling its normal programme of activities this year, the areas of focus for the Audit Committee in relation to the FY22 financial statements have been:

- Assessing judgements made by management in respect of the acquisition of Interserve, including adjustments to the fair values of assets and liabilities on the opening balance sheet, valuation of the consideration paid, and recoverability of the amounts receivable in respect of the outcome of the completion accounts process and the related expert determination;
- Evaluating judgements made by management on the adequacy of provisions required on loss making contracts and the appropriateness of the related disclosures;
- Assessing judgements made by management in respect of other acquisitions completed in the year. In particular, focus was placed on fair value adjustments to recognise acquired intangible assets on the acquisition of DAEL Ventures UK (DAEL) and Rock Power Connections Limited (Rock) and the accounting treatment for deferred consideration;

- Evaluating the impact and disclosure of the accounting policy change in relation to previously capitalised configuration and customisation costs in respect of Software as a Service (SaaS) platforms;
- Evaluating classification of disposed businesses in the year as discontinued operations and the judgements associated with prior year disposals, such as the retained liabilities related to the Social Housing business;
- Challenging management's judgements in relation to impairment assessments for the carrying value of goodwill, the adequacy of provisions for the recoverability of supplier rebates and the recoverability of deferred tax assets in relation to losses;
- Considering the classification of certain costs within Other Items and the associated disclosure, by reviewing the framework of controls operated by management around this area, and challenging the nature of the charges and credits classified as Other Items to ensure the result is that a reader of the Annual Report and Accounts is provided with an improved understanding of the underlying results of the business;
- Challenging the approach taken by management to support the going concern and viability statements set out on pages 152 and 153 and 83 and 84 respectively, in the context of the recovery of the business from the COVID-19 pandemic; and
- Assessing the appropriateness of climate-related disclosures and evaluating if the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations have been embedded appropriately.

Further detail regarding the Audit Committee and its work can be found on pages 109 to 114.

In conclusion, the Audit Committee can provide positive assurance to the Board that the Annual Report and Accounts 2022, when taken as a whole, are fair, balanced and understandable, and provide shareholders with sufficient and appropriate information to enable shareholders to assess the Group's position and performance, business model and strategy. As Chair of the Audit Committee, I will be available at the 2022 AGM to answer any questions about the work of the Audit Committee.

Mary Reilly
Chair of the Audit Committee

DocuSigned by:

Mary Reilly

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Key purpose of the Audit Committee

The Audit Committee provides effective governance of the appropriateness of the Group's financial reporting and the performance of both the Internal Audit function and the external auditor. The Audit Committee also supports the Board in meeting its responsibilities in respect of overseeing the Group's internal control systems, business risk management and related compliance activities.

The Audit Committee's Terms of Reference are available at www.mitie.com/investors/corporate-governance.

Key responsibilities of the Audit Committee in relation to financial reporting

The primary role of the Audit Committee in relation to financial reporting is to review, with both management and the external auditor, the appropriateness of the half-yearly financial report and the Annual Report and Accounts, concentrating on, amongst other matters:

- The consistency of, and any changes to, significant accounting policies and practices both on a year-on-year basis and across the Group;
- The clarity and completeness of disclosures and the context in which statements are made;
- The methods used to account for significant or unusual transactions where different approaches are possible; and
- Whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

To aid the review, the Audit Committee considers reports from the Chief Financial Officer on judgemental areas, and also reports from the external auditor on the outcomes of the half-year review and year-end audit.

Significant issues considered by the Audit Committee during the year

The Audit Committee gives attention to matters it considers to be important by virtue of their size, complexity, level of judgement required, or potential impact on the financial statements and wider business model, and matters pertaining to governance. Identification of the issues deemed to be significant takes place following open, frank and challenging discussion between the Audit Committee members, with input from

the Chief Financial Officer, the external auditor, the Head of Internal Audit, the Director of Group Finance, the Group Financial Controller and other relevant Mitie employees.

The Audit Committee considered the significant matters set out below, and in all cases considered to what extent these judgements could be impacted by the increased complexity of the enlarged Group as a result of the integration of the acquired Interserve business. Papers were presented to the Audit Committee by management, setting out the relevant facts, material accounting estimates, and the judgements associated with each item. The external auditor provided papers setting out its views on each area of judgement.

The Audit Committee discussed the papers with management, challenged the underlying assumptions and sought the views of the external auditor on each matter. For each area of judgement, the Audit Committee concurred with the treatment adopted by management and the related disclosure presented in the Annual Report and Accounts.

Interserve acquisition

Matters presented to the Audit Committee related to the acquisition of Interserve were complex and judgemental. This included the appropriateness of adjustments to the opening balance sheet at the end of the 12-month measurement period, which ended on 29 November 2021, and management's best estimate of fair value of consideration paid.

Recognising that the completion accounts mechanism contained in the sale and purchase agreement (SPA) pursuant to which Mitie acquired the Interserve entities from How Group Limited was complex and would be the subject of a commercial negotiation and, in the absence of agreement, an expert determination process, the estimated value of the receivable was inherently uncertain. The judgements underpinning management's best estimate of the completion accounts receivable were therefore discussed extensively at Audit Committee meetings during the year, taking into account any new information arising. The Audit Committee also discussed with management the appropriate level of disclosure, to highlight that, given the inherent uncertainty, the final amount agreed or determined could be materially different from management's best estimate.

Following the conclusion of the expert's determination in April 2022, for which the expert sought a legal opinion in relation to the interpretation of the accounting hierarchy which formed part of the completion accounts mechanism included within the SPA, an agreement was reached for the seller to pay £7.1m to Mitie (of which £1.1m was settled

during H2 FY22 and £6.0m was settled in May 2022). This resulted in a £45.6m reduction in the completion accounts receivable, compared with management's best estimate of the amount due.

Contract specific provisions

During the year, management has performed reviews of contracts to assess whether any contracts may be onerous over the remaining term of the contract, and, where this is the case, the extent to which a provision should be made for future forecast losses. Management also conducted an assessment of the adequacy of provisions related to material contractual disputes.

Onerous contract provisions totalling £13.2m have been recognised at 31 March 2022 (2021 restated: £17.6m). These primarily relate to a number of loss-making contracts that were acquired with the Interserve business, the Communities division. Management's assessments were made in the context of the plans that have been developed and are being implemented by divisional management to improve the profitability of these contracts.

Other contract specific provisions, totalling £43.1m, have been recognised at 31 March 2022 (2021 restated: £42.9m), which primarily relate to remedial and rectification costs required to meet customers contract terms. Management's assessment included external expert opinions obtained, where necessary, to assess the adequacy of provisions recognised.

The Audit Committee has reviewed the assessments presented by management, and also invited the Managing Director of the Communities division to attend an Audit Committee meeting as part of the discussions related to the adequacy of the onerous contract provisions in place. The Audit Committee also took into account the views expressed by the external auditor, based on their independent reviews of these contracts and related forecasts.

Cyber incident

The Audit Committee specifically challenged management's assessment of the requirement for the recognition of a liability, or disclosure of a contingent liability, for the potential Information Commissioner's Office (ICO) fine related to the cyber incident.

Accounting policy change for SaaS arrangements

During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software as a Service (SaaS) arrangements in response to the International Financial Reporting Interpretations Committee (IFRIC) agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangement.

Audit Committee report continued

The Audit Committee challenged management on its approach to ensuring completeness of the adjustment and also the methodology applied to quantify the prior year impact of the accounting policy change.

Revenue recognition

Due to the complexity and scale of many of the Group's contracts, revenue recognition continues to be an area of focus for the Audit Committee. The Audit Committee has received updates from management throughout the year and has also reviewed and discussed papers by management on specific areas of revenue recognition where judgement is required.

In particular, management presented a paper to the Audit Committee summarising the outcome of a periodic review conducted by Group Finance which assessed revenue recognition practices applied across the divisions, in the context of the Group accounting policy. This review achieved approximately 30% coverage of Group revenue. The outcomes of this paper were assessed by the Audit Committee, with a particular focus on the new divisions to ensure that the Group accounting policies and procedures had been appropriately embedded, and their application was consistent with the other divisions in the Group.

Valuation of goodwill

The Group carries goodwill as an intangible asset on its balance sheet in respect of businesses it has acquired (see Note 12 to the consolidated financial statements).

The Group considers the carrying value of all goodwill on at least an annual basis, or when an indicator of impairment has occurred. The valuation and impairment review of goodwill is assessed for each individual cash-generating unit (CGU) and considers the balance sheet value of the goodwill compared to the net present value of the post-tax cash flows that are expected to be generated by that CGU. The approach involves an estimation of the future cash flows expected to be derived from each CGU and the selection of appropriate discount rates, which are then applied to the cash flows to calculate a net present value.

The cash flow forecasts used in the review were derived from the most recent strategic forecast.

Management concluded that there was no impairment using either the latest forecast or as a result of applying reasonable sensitivities to key variables. The Audit Committee has considered papers prepared by management and has challenged the assumptions and methodology applied to assess the carrying value of goodwill. The basis of reallocation of goodwill as a result of the new divisional structure for the business was also assessed and challenged.

Other material accounting judgements

Management has continued to operate the structured process for the identification of material accounting judgements made, which are assessed at both a divisional and Group level, in arriving at the results. The judgements with a significant actual or potential impact on the Group's results are presented to the Audit Committee for consideration.

In addition to the matters outlined above, the Audit Committee has also considered papers prepared by management in respect of the following matters:

- Provisioning for, and disclosure of, contingent liabilities related to the Group's participation in multi-employer pension schemes;
- Provisioning for certain commercial settlements, disputes and other contractual liabilities;
- The recoverability of rebates receivable from suppliers;
- The recoverability of deferred tax assets;
- Accounting for acquisitions, including DAEL and Rock; and
- Assumptions used for pensions actuarial valuation.

Use of Alternative Performance Measures (APMs)

The Group's performance measures continue to include some measures which are not defined or specified under IFRS. The Audit Committee has considered presentation of these additional measures in the context of the guidance issued by the European Securities and Markets Authority (ESMA) and the Financial Reporting Council (FRC) in relation to the use of APMs, challenge from the external auditor, and the requirement that such measures provide meaningful insight for shareholders into the results and financial position of the Group.

In particular, the Audit Committee challenged the classification of certain costs and income within Other Items, ensuring that there is a robust framework of controls around the assessment, and that the classification and disclosure is appropriate, with the aim of providing a reader of the Annual Report and Accounts with an improved understanding of the underlying results of the business. This was achieved through the review by the Audit Committee of detailed papers prepared by management throughout the year, setting out each category of Other Items, analysing the charges and credits reported within each category and documenting the rationale as to why these charges and credits were both incremental to business as usual and directly related to the category.

The Audit Committee challenged as to whether any charges or credits had been rejected from the Other Items category, based on the framework of controls operated by Group Finance around the reporting of Other Items. Management confirmed that the divisions continued to engage proactively with Group Finance to discuss whether potential charges or credits would qualify as Other Items.

The Audit Committee concurred with the judgements made by management in respect of the presentation of the APMs, and noted in particular that significant credits have been reported within Other Items, in addition to charges, which reflected a balanced assessment. Furthermore, the Audit Committee concluded that clear and meaningful descriptions have been provided for the APMs used, that the relationship between these measures and the equivalent IFRS measures is clearly explained, that the IFRS measures are afforded equal prominence to the APMs, and that the APMs support understanding of the financial statements.

A reconciliation of the APMs to the equivalent IFRS measures is provided in the Appendix – Alternative Performance Measures on pages 220 to 223.

Review of the Group's going concern and viability statements

The Audit Committee has reviewed the Group's assessment of going concern. The Audit Committee also reviewed the Group's viability assessment over a period of three years to 31 March 2025, which considered a range of scenarios that were based on the potential financial impact of the Group's principal risks and uncertainties as set out on pages 66 to 77.

After due consideration, the Committee concluded that the assumptions used in both these assessments were appropriate, and reflected the Group's principal risks and uncertainties. The Committee has also reviewed the Group's reverse stress test and challenged management as to the likelihood of any such scenario occurring, to assess whether it was reasonable to assume that the likelihood of any such scenario was remote. Factors that were considered include the current trading performance compared with the base case and further mitigation actions available to management.

Based on the Group's forecasts for the going concern assessment period, the Board is satisfied that the Group will be able to operate within the level of its facilities for the foreseeable future. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements. Further details of the going concern assessment are set out in Note 1 to the financial statements on pages 152 and 153.

In accordance with the Code, the Directors have assessed the viability of the Group over the three-year period to 31 March 2025. Based on this assessment the Directors have concluded that there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 31 March 2025. The more detailed assessment of the Group's long-term viability is set out in the Viability Statement on pages 83 and 84.

Climate reporting

The Audit Committee has reviewed the climate-related disclosures across governance, strategy, risk management and metrics and targets, and concurred with management that the requirements of eight of the 11 TCFD disclosure recommendations have been complied with. Management has explained the reasons for not being able to comply with the remaining three TCFD recommendations at this stage, which is consistent with the FRC's 'comply or explain' requirement in respect of TCFD.

The Audit Committee challenged management on the impact of climate risks on financial results, in particular relating to asset impairments and the estimation of provisions for onerous contracts. Following this review, the Audit Committee concurred with management that there were no material financial statement impacts for FY22 in respect of these matters.

Risk management and internal controls

The Board is responsible for maintaining and monitoring sound risk management and internal control systems. The Audit Committee supports the Board in this respect by monitoring the effectiveness of the overall risk management process and the system of internal controls.

The Audit Committee considers emerging risks with management as part of the risk management update it receives and reviews the risk management framework and outcomes to support the Going Concern and the Viability Statement.

The Audit Committee also keeps under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems established to identify, assess, manage and monitor financial risks. The Audit Committee also advises the Board on such risks and how these are tracked, managed, mitigated and reported.

Risk management approach

The approach to risk management is regularly reviewed by the Audit Committee, the Board and the Mitie Group Executive (MGX) team and continues to evolve in line with the business structure and risk profile. The Board understands that effective risk management and a sound system of internal control are essential to the achievement of the Group's strategy and supporting objectives. The Group Risk Committee focuses on the risk management framework to increase understanding of the nature of the risks faced by the Group and the actions and controls in place to mitigate them.

Mitie continues to review and improve its approach to governance, risk management and internal control, and during FY22, the risk management framework has been developed further to make sure it is aligned to the organisational processes and strategy as well as helping to support corporate governance requirements. A new database for capturing, monitoring and reporting risks at all levels within the Group has been deployed during the year and is now the primary tool for assessing how well risks are being managed. The Group Risk Committee has met regularly throughout the year, and helps coordinate the risk processes across the Group. This allows better coordination of reporting of risks to the senior leadership team (the MGX), the Audit Committee and the Board. The continuing impact of the COVID-19 pandemic, Brexit, the Russian invasion of Ukraine and integration of Interserve have helped ensure focus to improve the consistency of risk processes and effective management of risks.

The Board considers the nature and extent of significant risks in setting the Group's strategy. The Group's Delegated Authority Register (DAR), which sets out the accountabilities and authority to take decisions on specific matters within defined financial limits and authority limits are aligned at divisional level. This approach helps to clearly disseminate the appetite of the Board to key risks. This structure ensures a consistent approach to acceptance and management of risk across the business and provides the Board with greater visibility of how effectively risks are being managed.

Operational and financial systems improvement projects have been delivered in the Technical Services division and former Interserve divisions, which moves the business onto consistent platforms. The review and documentation of key internal controls in the internal control framework has also continued to progress during the year. These programmes will help ensure further the reliability and accuracy of management information as well as providing

greater visibility of the effectiveness of internal controls. The work of the Internal Audit function targets areas of the business where risk management and internal controls are suspected of requiring improvement, which has helped to improve the risk management and internal control frameworks. The Group has an externally hosted whistleblowing line, and all reports are reviewed, investigated and actions taken as appropriate.

Risk culture

It is recognised that the risk management culture within the business is equally as important as an effective risk management framework. In support of this, the 'One Mitie' Vision and Values have an important role to play. As well as helping to achieve common ways of working and clarity of approach for customers and employees, they also help set out, together with the Employee Handbook and ethical business conduct policies, the framework upon which Mitie's risk culture is built. Emphasis is placed on the importance of embedding risk management into all key decisions, such that opportunities to grow the Group are effectively balanced with effective risk management decision-making. This means that opportunities may continue to be exploited, provided risks have been properly identified and the appropriate controls and mitigation plans established, or, in some cases, potential opportunities are declined if they sit outside the Group's risk appetite.

The Employee Handbook sets out the expected behaviours for all employees and supply chain partners and establishes zero tolerance in specific areas as part of an established ethical business framework. The Group continues to review and reaffirm its ethical business practice policies with employees and supply chain partners to ensure awareness of the vision, values and expected behaviours is maintained.

In addition, in the past year the impact of the COVID-19 pandemic and external geopolitical issues have served to provide valuable learning points to enhance the risk management and continuity processes.

Risk management process

The Audit Committee monitors the effectiveness of the overall risk management process. The Group's risk management framework provides a flexible and adaptable approach to the identification of risk across all areas of the business, to meet the demands of the dynamic and fast evolving environment in which the Group continues to operate. Ultimate responsibility for risk management lies with the Board, delegated to the Chief Executive Officer, who further delegates it to the MGX, with accountability and responsibility assigned to specific risk owners.

Audit Committee report continued

The Group risk profile is reviewed by the Chief Executive Officer, Chief Financial Officer and Chief of Staff, General Counsel & Company Secretary in advance of formal review and approval by the Board. This information is captured in risk registers at business unit and functional level, as well as for large contracts, which are subsequently consolidated into strategic, operational, financial and regulatory risk categories and detailed together with any emerging or disruptive risks within the overall Group risk register.

Risk identification and assessment

The Board carries out robust assessments of the Company's principal risks, including emerging risks. In doing so, the Board takes both internal and external perspectives into account to ensure the risk identification process is thorough. The internal perspective takes into account factors such as the changing and developing business profile, operational processes, technology and people, while the external perspective includes the economic environment, political factors and sector and geographical risks. During FY22, the Group Risk Committee has regularly reviewed the impact on the business of the risks associated with the pandemic and the integration of the Interserve business units, as well as changes in the external environment through horizon scanning. The changes to the risk profile are then reported to the Audit Committee, the MGX and the Board for their consideration. A top-down and bottom-up approach ensures the systematic identification of significant risks to the business. Once identified, risks are assessed using standard impact and likelihood ratings to quantify the risk to the achievement of business objectives.

Risk assessments are based on a '5 x 5' scale ranging from minimal to catastrophic, with any risks falling into the Group's upper limits having mandatory mitigation plans with the expectation that these risks are managed down to acceptable levels.

Risk mitigation

Each identified risk has a defined control owner who is responsible for developing and implementing a risk mitigation plan. As part of the risk review process, each action and control is required to be reviewed and formally assessed for its effectiveness in mitigating risk. The Group Risk Committee provides oversight of the risk processes and monitors risk mitigation actions.

In addition, audit and risk governance meetings occur at a business unit level, the terms of reference for which are aligned with the objectives of the Group Risk Committee and the Audit Committee. The agenda requires business units to review their top-level risks and the progress of associated mitigation plans, as well as assess any changes to the external environment and their consequent impact on business units' risk profile. In addition, reports from the Internal Audit function and other internal or external assurance providers are discussed, with the objectives to share best practice and identify common or emerging risk themes.

Assessment of the effectiveness of the control environment is undertaken at both business and Group level, led by the Head of Internal Audit. The Audit Committee formally reviews performance throughout the year and advises on the effectiveness of the risk management system in place.

Risk monitoring and review

Risk registers are reviewed regularly throughout the year. Principal risks to the business and associated mitigation plans are reviewed by the Group Risk Committee and then presented to the Board and are monitored on an ongoing basis. In doing so, the Board considers the level of exposure for each risk against an agreed appetite to the level of risk.

The risk management framework is designed to manage, rather than eliminate, the risk of failing to achieve the objectives and strategy of the Group and can therefore only provide reasonable, and not absolute, assurance against material risk and loss. Details of the principal risks of the Group are set out on pages 66 to 77. It should be noted that other risks are identified as part of the risk management process, but these are not considered to have a material impact on the Group's overall ability to achieve its business objectives.

The Audit Committee confirms that this risk management process has been in place throughout FY22 and remains in place up to the date of approval of the Annual Report. The process is continuing to evolve and will be subject to review and improvement.

Internal controls

The Board is responsible for maintaining an effective system of internal control. Mitie's system of internal control consists of financial, operational and compliance controls.

The system covers both monitoring and oversight controls at divisional level, comprising business leadership review and direction, and detailed process controls and control activities, which are embedded in business processes. A more formal and comprehensive internal control framework is being implemented which is helping to improve internal controls across the Group and to raise awareness at all levels within the organisation of the importance of effective controls. The framework will also help to ensure compliance with impending UK legislation on corporate governance, specifically the likely internal control reporting requirements.

Mitie's policies and procedures are documented in the Integrated Management System (IMS) and are available to management and employees through an intranet portal. Divisional and functional leadership teams ensure that controls are operating within the processes and procedures, and that risks are being appropriately managed. The harmonisation of policies and procedures across the Group was a key focus during the integration of Interserve.

The Audit Committee conducts a review of the effectiveness of the systems of risk management and internal control annually. This review is supported by a report from the Head of Internal Audit and includes a control assessment exercise undertaken by the Internal Audit function in conjunction with the business leadership teams. The review focuses on the key internal controls which manage the risks faced by the business. The Audit Committee also considers the results of the work completed by the Internal Audit team, which are reported to it in regular updates. The internal audit work plan is targeted at areas known, or suspected to have, weak or ineffective internal controls. Remedial action plans developed by management to address any control weaknesses found are monitored by the Audit Committee to ensure timely closure of the actions.

Assurance

In accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and the Code, the Board performs a formal annual assessment of the operation and effectiveness of the Group's internal control framework, covering all material controls including financial, operational and compliance controls, and updates this assessment prior to the signing of the Annual Report and Accounts.

These activities are monitored at executive and divisional leadership level to ensure that control improvements are implemented appropriately and that they are effective. The Head of Internal Audit assesses the application of control environment improvements and attends Audit Committee meetings to provide regular updates on the effectiveness of the Group's internal control framework and the results of the internal audit work undertaken.

Features of the internal control and risk management frameworks that ensure accuracy and reliability of financial reporting include:

- ❶ A culture of good governance, integrity, competence, fairness and responsibility
- ❷ Group policies and procedures to support and ensure consistency throughout the business
- ❸ Clearly defined responsibilities, delegated in accordance with the Group's delegated authority register
- ❹ A defined and agreed approach and appetite to managing risks facing the business
- ❺ The identification of key internal controls and clearly defined responsibility for their effective functioning

Accountability for internal control and risk management systems is devolved into each division and any control weaknesses within divisions are investigated and resolved. Management and the Audit Committee seek to ensure that their cause is understood, and mitigating actions are taken to limit the potential for recurrence. In view of the work of the Internal Audit function, management and the external auditor, it is considered unlikely that a weakness within a particular division would have a material impact on the Group.

Senior Accounting Officer update

The Chief Financial Officer presented a paper to the Audit Committee detailing the processes in place to ensure that the relevant controls had operated effectively during FY22, thereby supporting signature of the Senior Accounting Officer certificate. The Audit Committee considered this paper and was satisfied with the approach taken by management.

Internal Audit

The Internal Audit function's authority and responsibilities are defined in its charter, which is reviewed regularly by the Audit Committee. The Internal Audit function operates independently and reports directly to the Audit Committee (administratively to the Chief Financial Officer). This reporting line offers independence from audited activities and allows the Internal Audit function to achieve objectivity.

The work of the Internal Audit function helps to provide assurance over the effectiveness of the Group's governance, and risk management and internal control frameworks. The Chair of the Audit Committee oversees the appointment and removal of the Head of Internal Audit and assesses the Internal Audit function's performance against internal audit objectives. The annual internal audit plan is approved by the Audit Committee. All amendments to the approved annual internal audit plan are communicated to the Audit Committee through periodic update reports. The results of each internal audit, and any remedial action plans developed by management in response, are documented in an audit report.

The Chair of the Audit Committee and the Company's external auditor, BDO LLP, have access to all internal audit reports issued during the year. The Audit Committee also receives a quarterly report on internal audits completed in the period, and reports from BDO LLP arising from its audit work. These provide an independent perspective on the Group's internal financial control systems.

The impact on the risk profile of the business of the integration of the Interserve business units and the recovery from the COVID-19 pandemic, formed key elements of the Internal Audit plan for FY22. The Audit plan was presented to and approved by the Audit Committee in March 2021, but kept under continual review throughout the year. Any changes to the plan were discussed with the Chair of the Audit Committee and approved by the Audit Committee.

The audit plan was predominantly focused on the effectiveness of internal processes and controls Group-wide, major contracts, individual divisional risks and strategic initiatives. As noted previously, a significant element of the plan covered process and contract risks in former Interserve business units, as well as activities associated with the integration, including IT systems implementations.

Some key areas of focus in the FY22 audit plan have included:

- ❶ A review of the risk and control activities in the bid management processes across the Group;
- ❷ An audit of the implementation of a new ERP system in a division;
- ❸ A number audits of contract management processes for customer accounts in former Interserve business units focusing on controls, governance, and ongoing contract management processes; and
- ❹ An audit of governance processes within Mitie Ireland.

Regular updates were provided to the Audit Committee throughout FY22 by the Head of Internal Audit. These covered the results of the audit work undertaken and developments in the internal control environment, highlighting areas where improvements in risk, governance and control processes were required. In addition, progress on the review, improvement and documentation of the key internal controls across the business, mainly focused in internal controls over financial reporting, was presented to the Audit Committee regularly. As described previously, this will help ensure compliance with impending legislation on reporting of internal controls and helps raise awareness of the importance of internal controls in the business.

Through the updates from the Head of Internal Audit, the Audit Committee also monitored the progress by management in completing actions to address the findings from Internal Audit reports. The vast majority of actions continue to be closed by the agreed completion date, due to sharp focus from senior management. This remains an important area for the Audit Committee, and management is required to provide an explanation if planned closure dates are missed.

Review of whistleblowing processes

Part of the Audit Committee's role is to ensure that appropriate procedures are in place in relation to whistleblowing. Mitie has continued to operate its independent whistleblowing service via an independent third-party provider. During the year, this service was migrated to a new service, EthicsPoint, which was accompanied with a campaign across the Group to ensure all employees are aware of the service. An update on whistleblowing activity is provided to the Board at every Board meeting.

Allegations of fraud

In instances where allegations of fraud have been reported, these are investigated as a matter of priority by the Internal Audit function and reported to the Audit Committee. The Internal Audit reports summarising the issues, conclusions and recommendations, were reviewed and discussed by the Audit Committee. The Audit Committee then monitors the implementation of any required actions, aimed at preventing future occurrence of similar issues and enhancing internal processes and controls.

Audit Committee report continued

External audit

The Audit Committee is committed to ensuring the independence, effectiveness and objectivity of the external auditor, and reviews the performance of the external auditor in respect of audit related services and non-audit services every year.

Appointment and re-appointment of the external auditor

The Group undertook a competitive external audit tendering process in 2017 and BDO LLP (BDO) was selected as the Company's external auditor with effect from 19 September 2017.

For FY22, BDO continued to provide external audit services to the Group. Scott McNaughton was the lead partner for BDO on the audit of Mitie for the year ended 31 March 2022 and was the lead partner for the previous four years. In accordance with rotation requirements for audit partners on listed entity audits, the FY22 audit will be Scott's final year on the Group's audit. In readiness for this change, the audit team has been strengthened by a new supporting partner in the FY22 audit who will work alongside Scott to ensure senior level continuity on the audit going forward. A new lead partner, previously unconnected with BDO's audit of the Group, has been introduced to take on this role. The partners involved with divisional audits are not required to rotate at this time.

The Audit Committee considers annually the need to tender the audit for audit quality or independence reasons. There are no contractual obligations in place that restrict the Group's choice of statutory auditor.

The Audit Committee confirms that the Group is in compliance with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

External auditor effectiveness

The Audit Committee monitored the conduct and effectiveness of the external auditor through its assessment of:

- The experience, expertise and perceptiveness of the auditor;
- The planning and execution of the agreed audit plan and quality of reports from the auditor; and
- The conduct of the auditor, including the Audit Committee's experience of interaction with the auditor.

In addition to receiving written reports from the external auditor and from management, the Audit Committee also conducted private meetings with the external auditor and separately with management. These meetings provided the opportunity for open discussion and feedback on the audit process, the responsiveness of management, and the effectiveness of both the internal and external audit teams.

In addition, the BDO partners leading the audits for four large divisions presented a summary of their audit approaches to the Audit Committee prior to the FY22 year end audit. Meetings with the external auditor included challenge from the Audit Committee around audit process and opportunities to place more reliance on controls as part of the audit approach.

Non-audit services provided by the external auditor

The Group has a non-audit services policy, approved by the Audit Committee, that ensures the external auditor remains independent and objective throughout the provision of its independent audit services and when formulating its audit opinion. This non-audit services policy is underpinned by principles that ensure that the external auditor does not:

- Audit its own work;
- Make management decisions for the Group;
- Create a conflict of interest; or
- Find itself in the role of advocate for the Group.

The Group non-audit services policy reflects the requirements of the FRC's Revised Ethical Standard 2019, which became effective from 15 March 2020 and limits the types of non-audit services that external auditors can provide. Under the requirements, permitted services are largely those required by law or regulation, loan covenant reporting, other assurance services closely related to the audit or annual report, and reporting accountant services. The Audit Committee confirms that the Group non-audit services policy is consistent with the FRC's Revised Ethical Standard 2019.

Under this policy, prior to the appointment of the external auditor to provide any permitted non-audit services, approval must be obtained from the Chair of the Audit Committee. A report of all non-audit services performed by the external auditor during FY22, irrespective of value, was submitted to the Audit Committee.

A summary of the fees paid to the external auditor for FY22 is set out in Note 6 to the financial statements. Fees for other audit-related services of £175,000 primarily related to the review of the half-yearly financial report and fees for other non-audit services of £9,000. The Audit Committee considered reports from both management and the external auditor, which included monitoring of fees for permitted non-audit services compared with the FRC fee cap, none of which raised concerns about external auditor independence.

It was identified by management and BDO that a non-permitted VAT service had been provided by BDO Belgium to an entity acquired as part of the acquisition of Interserve for a fee of £250. The non-permitted services were ceased immediately upon identification, and the amounts concerned were considered to be too trivial to raise any concern about external auditor independence. Subsequently, guidance across the Mitie Group and the BDO member firms was reinforced by management and BDO respectively.

Fair, balanced and understandable

In accordance with Provision 27 of the Code, the Directors confirm that they consider the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. When arriving at this position the Board was assisted by various processes including the following:

- The Annual Report and Accounts was drafted by senior management with overall coordination by Group Finance to ensure consistency across the relevant sections;
- A review was undertaken to assess the consistency of the Annual Report and Accounts with internally reported information and investor communications, and to assess the balance between reported measures and alternative performance measures;
- Reviews of drafts of the Annual Report and Accounts were undertaken by the Executive Directors, Chief of Staff, General Counsel & Company Secretary, other senior management and external advisors; and
- The final draft is reviewed by the Audit Committee prior to consideration by the Board.

Details of the basis on which the Company generates and preserves value over the longer term and the strategy for delivering the Company's objectives are set out in the Strategic report. An explanation by the Directors of their responsibility for preparing the Annual Report and Accounts can be found on page 136.

Directors' remuneration report

Statement from the
Remuneration Committee Chair

We are committed to providing remuneration that is both fair and reflective of Company performance.

Jennifer Duvalier
Chair of the Remuneration Committee

On behalf of the Board, I am pleased to present the Directors' remuneration report for the year ended 31 March 2022.

The report is split into two main parts:

- **Executive remuneration at a glance.**
This sets out a summary of our policy, remuneration outcomes for this year and how we intend to operate our policy for next year
- **The Annual Report on Remuneration.**
This provides more detail on the above, as well as setting out other remuneration-related disclosures

The Remuneration Committee has addressed a number of issues during the year. I have described below the approach the Committee has taken, together with the context in which key decisions were made.

Business performance and context

In FY22, Mitie has delivered a record £4bn of revenue (including share of joint ventures and associates), £167m of operating profit before other items and £133m of free cash flow. These strong results were boosted by rapid-response COVID-related contracts and the acquisition of the Interserve Facilities Management (Interserve) business. Our underlying business (excluding Interserve and the short-term COVID-related contracts) grew revenue by 14% in FY22, and is in good shape as it bounces back from COVID. The new strategy to accelerate growth, enhance margins and improve cash generation is creating a strong platform to further improve earnings.

Remuneration review and policy

The Remuneration Committee undertook a detailed review of remuneration arrangements as part of the renewal of the remuneration policy at the 2021 AGM. As part of our review, we consulted with major shareholders and took their feedback into account when finalising the new policy. Further detail on the implementation of the policy in the year is provided in the Executive remuneration at a glance section following this statement. The new policy is set out in full in our Annual Report and Accounts 2021.

Remuneration decisions and outcomes in respect of FY22

Salary and fees

The CEO's salary of £900,000 has been unchanged since his appointment in 2016. As in previous years, the Committee decided to not implement any salary increase for Phil Bentley.

Simon Kirkpatrick was appointed as CFO with effect from 1 April 2021. As highlighted in last year's report, his salary was set at £350,000 which was at the lower end of the market and significantly lower than the salary of the previous CFO to serve on a non-interim basis (Paul Woolf at £430,000). It was noted that, over the years, as Simon develops in the role and subject to his performance and development, the Committee expects to increase his salary to be in line with the market. The Committee was and is aware that proxy advisory bodies may highlight these increases as a repeated annual area of concern. However, the Committee considers this to have been and still be the most appropriate approach for the individual, the Company and its shareholders.

In line with this approach, the Committee determined that it was appropriate to increase the CFO's salary from £350,000 to £378,000 (+8%) from 1 April 2022. This remains below typical FTSE 250 salary levels for a CFO and is 12% below the previous non-interim incumbent.

FY22 bonus

The annual bonus for FY22 was based on profit, revenue and strategic/individual performance. At the end of the year, the Committee assessed performance against the targets and was mindful of the latest shareholder guidance and market sentiment. As such, the Committee gave careful consideration to the year's context taking into account the experience of colleagues, stakeholders and shareholders.

FY22 was an outstanding year of record levels of revenue, profit and cash. This resulted in maximum vesting under the financial targets. Assessment of strategic and individual performance was such that 95% of the overall bonus maximum was awarded to the CEO and CFO, half of which is deferred into shares for two years. Performance against financial and non-financial targets is described in more detail in the Annual Report on Remuneration.

2019 LTIP

The Committee assessed the outcome of the June 2019 LTIP awards granted under the plan against two performance measures: Earnings Per Share (EPS) growth and cash conversion. Following a review of performance against targets, the Committee determined that 100% of the award would vest in August/October 2022. This is described in more detail in the Annual Report on Remuneration.

Directors' remuneration report

Statement from the Remuneration Committee Chair continued

Incentive outcomes

The Committee challenged itself to ensure that bonus and LTIP outcomes were appropriate in the round. The Committee was comfortable that the incentive outcomes summarised above were appropriately commensurate with both organisational and individual performance. Furthermore, it considered that they were appropriate in the context of the shareholder, employee and customer experience in FY22. As such, the Committee did not apply any discretion to the formulaic outturns and considers that the policy operated as intended.

Incentives approach for FY23

For FY23, the Committee is intending to operate the annual bonus and LTIP using the same broad framework that was used for FY22. Phil Bentley's maximum bonus and LTIP opportunity will be unchanged at 160% and 200% of base salary respectively. Simon Kirkpatrick's maximum bonus and LTIP opportunity will be unchanged at 130% and 150% of base salary respectively. The annual bonus will be based on financial and strategic targets with the mix of measures as follows: revenue (35%); profit (35%); free cash flow (10%); individual objectives (10%); and other strategic targets (10%).

Following a review of the performance measures used under the LTIP the Committee is intending to replace cash conversion with return on invested capital (ROIC) for 2022 LTIP awards, for which FY25 will be the final year of the performance period. The introduction of this measure recognises the strategic importance of ROIC to the business and more closely aligns new LTIP awards with Mitie's overall business strategy. It also complements the use of ROIC under the Enhanced Delivery Plan by it continuing to be a long-term focus beyond the end of FY24. The performance measures for the 2022 LTIP awards will therefore be based on: adjusted EPS (50%), return on invested capital (35%) and ESG targets (15%). In this way, ESG measures are appropriately present in both our bonus (through the strategic element) and LTIP.

Wider workforce considerations and engagement

The Company operates SAYE share option and Share Incentive Plan arrangements, including Mitie Free Shares, allowing employees to participate in share ownership and to share in corporate success over the medium term. In 2021, the SIP scheme was enhanced to provide employees with a greater incentive to invest in Mitie shares, and free shares were awarded to all eligible UK-based employees. In 2022, the Company intends to make another award of free shares to UK-based employees and offer a free shares equivalent to international colleagues.

The average base pay for the wider workforce has increased by 4% from FY21 to FY22.

The Mitie Board values the views of our employees and has multiple engagement routes. In addition to my role as the Chair of the Remuneration Committee, I act as the Company's designated Non-Executive Director responsible for oversight of the Board's engagement with the workforce. In this role, I regularly engage with the workforce on a broad range of topics, including reward and benefits. In addition, we undertake an annual engagement survey in order to better understand the views of a wider range of employees. The engagement survey includes a range of specific questions on the Company's pay practices and presents an opportunity for the workforce to ask its own questions about employee or executive reward.

Through the feedback from the engagement survey, supplemented with my findings from regular direct engagement with the workforce, the voice of Mitie employees is heard at Remuneration Committee meetings. This enables the Remuneration Committee to take into account the views of employees when considering executive remuneration and the pay and employment conditions throughout the wider workforce.

I attended a listening session earlier this year with frontline colleagues specifically focused on reward and executive remuneration. It was a useful session; colleagues were reassured to hear about the Board's rigour around fairness for the consideration of reward for the Executive Directors in line with that of the wider workforce.

The Remuneration Committee

The members of the Remuneration Committee are all Non-Executive Directors and are shown on pages 88 and 89. During the year ended 31 March 2022, the Committee met 5 times. For the Directors' attendance, see the table on page 91.

The Committee has responsibility for determining the remuneration of Mitie's Executive Directors and the Chairman, taking into account the need to ensure Executive Directors are properly incentivised to perform in the interests of the Company and its shareholders. The Committee is also responsible for setting the remuneration for other senior executives, including the Mitie Group Executive.

The Committee's Terms of Reference are available at www.mitie.com/investors/corporate-governance.

The Committee regularly consults with the CEO and key HR executives on various matters relating to the appropriateness of rewards for the Executive Directors. However, the CEO and other Executive Directors are not present when matters relating directly to their own remuneration are determined. This is also the case for other executives attending Committee meetings. The Company Secretary attended the meetings as Secretary to the Committee. The CEO and HR executives attended the meetings by invitation only.

Conclusion

We will be seeking approval for the Directors' remuneration report (advisory vote) at the 2022 AGM. I welcome your views and feedback on the report.

Jennifer Duvalier

Chair of the Remuneration Committee

jennifer.duvalier@mitie.com

DocuSigned by:

Jennifer Duvalier
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Executive remuneration at a glance

How we intend to operate our policy for FY23

The following table provides an overview of our remuneration policy and summarises the approach for remuneration arrangements for Executive Directors for FY21 alongside how the Committee intends to apply the policy in FY23. The full Policy approved at the 2021 AGM is available on our website (www.mitie.com/investors/corporate-governance) and in the Annual Report and Accounts 2021.

At a glance	Overview of policy	FY22	FY23
Base salary	Salaries are generally reviewed annually, effective from 1 April. The review may be influenced by: • The individual's role, experience and performance • Business performance and the wider market and economic conditions • The range of increases across the Group • An external comparator group comprising sector comparators and size adjusted comparator organisations	CEO: £900,000 CFO: £350,000	CEO: £900,000 (no increase) CFO: £378,000 (+8%) As discussed in the Chair's Statement to shareholders, the CFO's salary was set low relative to market and the previous incumbent, with the intention to incrementally increase over the years, depending on performance and development. The new level remains below typical FTSE 250 CFO salary levels and c.12% below the previous non-interim incumbent (£430,000).
Benefits	The Group provides a range of benefits which may include a company car/car allowance, private fuel, private health insurance, life assurance and annual leave. Benefits are reviewed periodically against market and new benefits may be added and/or amended as required to support the attraction and retention of key talent.	Benefits for FY22 include private medical cover, car allowance/car, and financial/tax planning advice.	No changes to benefits are planned for FY23.
Pension	Executive Directors are eligible to participate in the defined contribution pension scheme or to receive a cash allowance in lieu of a pension contribution.	CEO: 20% of base salary CFO: 3% of base salary (in line with the workforce)	CEO: 20% of base salary and reducing to the workforce rate from 1 January 2023 CFO: 3% of base salary (in line with the workforce)
Maximum bonus opportunity	Maximum bonus opportunity is 160% of base salary for the Chief Executive Officer and up to 135% of base salary for any other Executive Director.	CEO: 160% of base salary CFO: 130% of base salary	CEO: 160% of base salary CFO: 130% of base salary
Bonus deferral	50% of the bonus is normally deferred into shares which vest after a minimum of two years (subject to continued employment).	50% of bonus deferred into shares which vest after at least two years	50% of bonus deferred into shares which vest after at least two years
Bonus performance measures – mix	Measures and targets are set annually and pay-out levels are determined by the Committee after the year-end based on performance against those targets.	70% financial, 30% strategic	70% financial, 30% strategic
Bonus performance measures – metrics	Bonuses are based on stretching financial and strategic objectives assessed by the Committee at the end of the year, with the underlying aim of encouraging and rewarding the generation of sustainable returns to shareholders.	• Revenue (35%) • Profit (35%) • Strategic targets (30%)	• Revenue (35%) • Profit (35%) • Strategic targets (30%)
Maximum LTIP opportunity	Awards may be made up to a maximum level of 200% of base salary.	CEO: 200% of base salary CFO: 150% base of salary	CEO: 200% of base salary CFO: 150% base of salary
LTIP performance measures	Performance over at least three financial years is measured against stretching objectives which have the underlying aim of encouraging and rewarding the generation of sustainable returns to shareholders.	• Adjusted EPS (50%) • Cash conversion (35%) • ESG measures (15%)	• Adjusted EPS (50%) • Return on invested capital (35%) • ESG measures (15%)

Directors' remuneration report

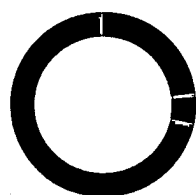
Executive remuneration at a glance
continued

At a glance	Overview of policy	FY22	FY23
LTIP holding period of two years after vest	Awards will normally be subject to an additional holding period of at least two years.	Shares released after at least five years (vesting after three years plus two-year holding period)	Shares released after at least five years (vesting after three years plus two-year holding period)
Enhanced Delivery Plan opportunity	Maximum award of up to 640% of base salary for the Chief Executive Officer and up to 260% of base salary for the Chief Financial Officer (this was a one-off award made in FY22).	CEO: core award of 160% of base salary CFO: core award of 65% of base salary Awards are subject to a multiplier of up to 4x based on stretching performance measures	n/a
Enhanced Delivery Plan performance measures	Awards will vest based on performance measured over three years.	- Return on invested capital (75%) - Synergies (25%) Vesting is also subject to both an absolute share price underpin and a net debt underpin	n/a
Enhanced Delivery Plan holding period of two years after vest	Awards will be subject to an additional holding period of two years.	Shares released after at least five years (vesting after three years plus two-year holding period)	n/a
Share ownership requirements	Executive Directors are required, over time, to build and maintain a minimum shareholding in the Company worth 200% of base salary. Executive Directors will be expected to maintain their shareholding at 100% of their ownership requirement for one year post departure, reducing to 50% for the second year post departure, or in either case the actual shareholding on departure if lower.		
Malus and clawback provisions	Recovery provisions (malus and clawback) have applied to incentives for a number of years. Further details on the recovery provisions, including the circumstances and timeframe for which they can be applied, are set out in the remuneration policy.		

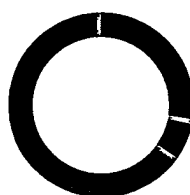
Single figure for FY22

The table below reports a single figure of total remuneration for each of the Executive Directors for the financial year ended 31 March 2022 and their comparative figures for the financial year ended 31 March 2021.

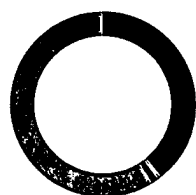
Phil Bentley



	2022
● Salary	£900,000
● Benefits	£22,706
● Pensions	£180,000
● Bonus	£1,368,000
● LTIP	£1,398,770
Total	£3,869,476



	2021
● Salary	£787,500 ¹
● Benefits	£20,625
● Pensions	£180,000
● Bonus	£1,131,186
● LTIP	£722,312
Total	£2,891,623

Simon Kirkpatrick²

	2022
● Salary	£350,000
● Benefits	£6,942
● Pensions	£10,500
● Bonus	£432,250
● LTIP	£89,478
Total	£889,170

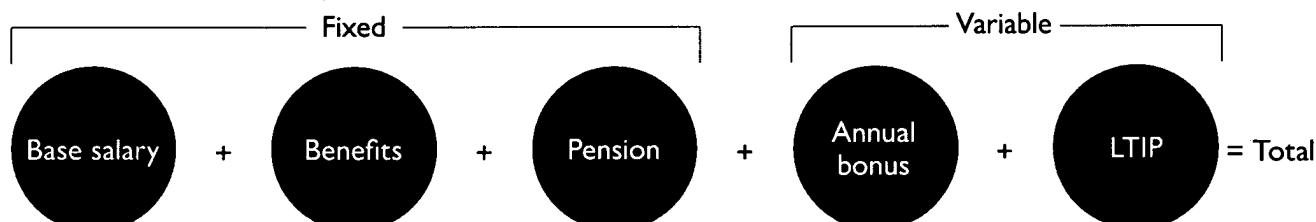
1. Phil Bentley's headline salary remained at £900,000 throughout FY21. However, this figure reflects the salary paid as he, along with other executives, took a voluntary pay reduction during FY21 in light of the pandemic

2. Simon Kirkpatrick was not an Executive Director for FY21

Further information on the above is provided in the Annual Report on Remuneration.

Summary of remuneration policy

Excluding the one-off awards made under the Enhanced Delivery Plan for FY23, the standard remuneration approach for the Executive Directors comprises the following elements:



Executive incentives and link to strategy

The following table sets out how the intended measures across the incentive plans for FY23 support the Group's strategy and KPIs:

	Sustained and renewed profit growth	Quality client base	Strong cash-generative business	Strategic targets
Annual bonus	✓ 35% profit	✓ 35% revenue	✓ 10% free cash flow	✓ 20% strategic objectives (inc. ESG)
LTIP	✓ 50% adjusted EPS		✓ 35% ROIC	✓ 15% ESG measures
EDP (2021 award)	✓ 25% synergies		✓ 75% ROIC	

Note: details of the FY23 annual bonus targets will be disclosed in the FY23 remuneration report.

UK Corporate Governance Code: Provision 40

The following table sets out how the revised Remuneration Policy addresses the factors set out in the UK Corporate Governance Code:

Clarity	The Committee considers that Mitie's remuneration structures are transparent and welcomes open and frequent dialogue with shareholders on its approach to remuneration. Major shareholders were consulted on the Committee's approach to remuneration, including the changes to the Remuneration Policy and introduction of the Enhanced Delivery Plan, which were approved by shareholders at the 2021 AGM.
Simplicity	The overall remuneration policy is designed to be comprehensive without becoming overcomplicated and to encourage Executive Directors to concentrate on the profitable growth of the business. When developing the remuneration arrangements, the Committee was conscious of ensuring the overarching structure remained simple and easy to understand for both shareholders and participants.
Risk	The Committee considers that the structures of the incentive arrangements do not encourage inappropriate risk-taking. The following best-practice measures are in place to minimise risks: • Deferral under the Annual Bonus, the LTIP holding period, the EDP holding period and the shareholding requirement, including post-cessation, provide a clear link to the ongoing performance of Mitie's business and the experience of shareholders • The Committee has discretion to adjust the formulaic outcomes if it considers that they are not reflective of the underlying performance of Mitie or the individual • Malus and clawback provisions apply to the Annual Bonus, LTIP and EDP
Predictability	One of the Committee's principles is that the majority of reward opportunity for Executive Directors should be provided through performance-related incentives linked to the Group's strategic goals and taking account of the Group's attitude to risk; reward under these incentives is linked to both individual and Group performance. Page 118 of the 2021 Annual Report and Accounts sets out four illustrations of the application of the remuneration policy, including the potential opportunity levels resulting from threshold, target and maximum performance under the Annual Bonus, LTIP and EDP.
Proportionality	Performance measures and target ranges under the Annual Bonus, LTIP and EDP are designed to be sufficiently stretching in order to ensure out-turns are fully aligned with Mitie's performance. As above, the Committee has discretion to override formulaic outcomes in order to ensure performance is reflective of Mitie's underlying performance.
Alignment to culture	The Committee believes in an approach to executive pay which is commensurate with value creation for shareholders. The remuneration policy and the Company's incentive schemes have been designed to drive appropriate behaviours consistent with Mitie's purpose, values and strategy.

Directors' remuneration report

Annual report on remuneration

Executive Director remuneration (subject to audit)

The table below reports a single figure of total remuneration for each of the Executive Directors for FY22 and their comparative figures for FY21.

	Year	Salary	Benefits ²	Pension ³	Total fixed pay	Annual bonus ⁴	LTIP ⁵	Total variable pay	Total
Phil Bentley	2022	£900,000	£22,706	£180,000	£1,102,706	£1,368,000	£1,398,770	£2,766,770	£3,869,476
	2021	£787,500	£20,625	£180,000	£988,125	£1,131,186	£772,312	£1,903,498	£2,891,623
Simon Kirkpatrick ¹	2022	£350,000	£6,942	£10,500	£367,442	£432,250	£89,478	£521,728	£889,170
	2021	–	–	–	–	–	–	–	–

Notes:

1. Simon Kirkpatrick was appointed to the Board as Chief Financial Officer on 1 April 2021 and the information in the table sets out his earnings as an Executive Director from that date.
2. Benefits are calculated in terms of UK taxable values and relate to the cost of private medical cover, car allowance and financial/tax planning advice. Simon Kirkpatrick has received the use of an electric car for a period of six months during FY21, which attracts 1% benefit in kind tax. Phil Bentley's includes the matching shares element from his SIP purchases for January - March 2022 based on the share price upon purchase.
3. The pension benefit disclosed above comprises cash allowances in lieu of pension contributions for Phil Bentley and Simon Kirkpatrick of 20% and 3% of base salary respectively.
4. Annual bonus payable in respect of the financial year includes any deferred element at face value at the date of award. Further information about how the level of the award for FY22 was determined is provided on pages 121 and 122.
5. The LTIP figure disclosed for FY22 is in respect of the 2019 LTIP and has been valued, in line with the regulations, using the average share price of the last three months of FY22 (59p) and includes dividend equivalents accrued over this period. This share price is below the share price at the grant date (as adjusted for the bonus element of the 2020 Rights Issue) and therefore none of the amount in the table above is attributable to share price appreciation. Further information about how the level of vesting was determined is provided on page 125. The LTIP figure disclosed for Phil Bentley for FY21 is in respect of the 2018 LTIP and has been adjusted from the figure included in the FY21 remuneration table to reflect the actual valuation based on the closing share price on the first date of vesting of the awards, being 2 August 2021 (64.9p) and includes dividend equivalents accrued until the first vesting date.

Non-Executive Director remuneration (subject to audit)

The fees for the Non-Executive Directors for FY22 and their comparative figures for FY21 are set out below:

	2022 ¹ £'000	2021 ¹ £'000
Derek Mapp	225	197
Nivedita Krishnamurthy Bhagat ²	46	46
Baroness Couttie	60	52
Jennifer Duvalier	60	52
Mary Reilly	60	52
Roger Yates	59	52
Former Director	–	10
Total	510	461

Notes:

1. All amounts were paid in cash and no other UK taxable benefits were received in either year.
2. Nivedita Krishnamurthy Bhagat stepped down from the Board on 17 February 2022.

Base salary and benefits

The CEO's salary of £900,000 has been unchanged since his appointment in 2016. As in previous years, the Committee decided to not implement any salary increase for Phil Bentley.

Simon Kirkpatrick was appointed as CFO with effect from 1 April 2021. As highlighted in last year's report, his salary was set at £350,000 which was at the lower end of the market and significantly lower than the salary of the previous CFO to serve on a non-interim basis (Paul Woolf at £430,000). It was noted that, over the years, as Simon develops in the role and subject to his performance and development, the Committee expects to increase his salary to be in line with the market. The Committee was and is aware that proxy advisory bodies may highlight these increases as a repeated annual area of concern. However, the Committee considers this to have been and still be the most appropriate approach for the individual, the Company and its shareholders.

In line with this approach, the Committee determined that it was appropriate to increase the CFO's salary from £350,000 to £378,000 (+8%) from 1 April 2022. This remains below typical FTSE 250 salary levels for a CFO and is 12% below the previous non-interim incumbent. Benefits are as described in the notes to the Executive Director remuneration table on page 120. No changes in benefits are planned for FY23.

Non-Executive Director fees

Fees are reviewed on a periodic basis and at least every three years. Fees for the Chairman have not been increased since his appointment in 2017. Fees for the Non-Executive Directors have not increased since 2016. Following a market review of fees during 2022, it was determined that from 1 April 2022: fees for the Chairman remain at the same level of £225,000; basic fees for the Non-Executive Directors remain at the same level of £52,000; additional fees for Senior Independent Director status and for chairing a Committee are each increased by £2,000; and an additional fee of £5,000 per annum is introduced for the designated Non-Executive Director for workforce engagement. These changes are summarised in the table below.

	From 1 April 2022 ¹ £'000	From 1 April 2021 £'000
Chairman fees ²	225	225
Non-Executive Director core fees ³	52	52
Additional fees:		
Senior Independent Director	9	7
Chair of a Committee	10	8
Designated Non-Executive Director for workforce engagement	5	–

Notes:

1. The core fees of £52,000 per annum paid to each Non-Executive Director (including the Chairman) would ordinarily total £364,000 for FY23. Total fees including additional duties would ordinarily amount to £581,000 for FY23 (£510,150 actual for FY22).
2. The Chairman's fee is inclusive of the Non-Executive Director core fee and no additional fees are paid to the Chairman where he is chairman or a member of other Committees.
3. For Non-Executive Directors, individual fees comprise the core fee and additional supplemental fees for the Senior Independent Director, for chairing Committees and for the designated Non-Executive Director for workforce engagement to reflect the greater responsibility and time commitment required.

Annual Bonus Plan (ABP) FY22

Awards in respect of FY22 were considered under the ABP. Phil Bentley was eligible for a maximum bonus opportunity of 160% of base salary. Simon Kirkpatrick was eligible for a maximum bonus opportunity of 130% of base salary.

The awards were structured by reference to performance against a blend of financial (70% of the bonus opportunity) and strategic targets (the remaining 30%). At the threshold level of performance for financial targets, 25% of the maximum bonus opportunity is due, with 50% of the maximum bonus opportunity due at the target level and 100% at the maximum level. Between these points, the out-turn is determined on a linear sliding scale basis.

FY22 was an outstanding year of record levels of revenue, profit and cash. This resulted in maximum vesting under all the financial targets; 35% operating profit; 35% revenue; and 10% free cash flow which formed part of the strategic targets. The remaining elements were other strategic targets (10%) and individual objectives (10%). The Remuneration Committee determined that performance under these last two elements warranted 7.5% each for both CEO and CFO, which is discussed in further detail later in this section. This resulted in bonuses for the CEO and CFO representing 95% of the maximum opportunity.

The Remuneration Committee gave careful consideration to this FY22 annual bonus out-turn and took into account the experience of Mitie shareholders, colleagues and other stakeholders. It was felt that the overall outcome was appropriate in this context, and reflected what has been an exceptional year of management performance and therefore no discretion was applied.

The following tables set out performance against the financial, strategic and individual measures and targets.

Performance measure	Weighting	Performance range	Performance	Out-turn (% of bonus opportunity)
Operating profit ¹	35% of the award	£98.7m threshold £109.7m target £120.6m maximum	£166.9m; above maximum	35%
Revenue ²	35% of the award	£3,216m threshold £3,385m target £3,554m maximum	£3,997m; above maximum	35%
Free cash flow	10% of the award	£25m threshold £45m target £65m maximum	£133m; above maximum	10%
Other strategic targets – CEO and CFO	10% of the award	The Committee considered performance against the strategic objectives set out below and determined that the out-turn was 75% of the maximum for the CEO and CFO		7.5%
Individual objectives – CEO and CFO	10% of the award	The Committee considered performance against the individual objectives set out below and determined that the out-turn was 75% of the maximum for the CEO and CFO		7.5%
Total				95%

Notes:

1. Operating profit before other items from continuing operations.
2. Revenue including share of joint ventures and associates from continuing operations.

Directors' remuneration report

Annual report on remuneration continued

Performance against the strategic targets and individual objectives set for Phil Bentley and Simon Kirkpatrick were as follows:

Phil Bentley (CEO)

Strategic targets

Strategy	● Industry leader throughout COVID and recognised as 'go to' provider for short-term Government 'surge' requirements ● Became UK No.1 in Cleaning by sales and opened Hygiene and Cleaning Centre of Excellence ● Continued focus on core activities with the acquisition of DAEL, Rock and Biotech and disposal of Document Management ● Achieved Investment Grade credit rating (BBB stable) and refinanced RCF and USPP at significantly reduced costs
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Individual objectives

Accelerate integration synergies	● FY22 Interserve cost synergies of £30m, with run rate of c£40m p.a. at year end ● Cross-selling revenue of £42m
Customers	● Interserve NPS improved from -18 to +13 ● Mitie Strategic Accounts NPS improved from +55 to +60 ● Cabinet Office Annual Review recognised strong progress made through proactive Corporate Affairs Strategy ● New wins included DHSC, FDIS, FMSP, BAE Systems and Costa
Colleagues	● SLT diversity increased from 25.2% to 31.7% ● Team Talk Live accessed by over 25,000 colleagues ● Successful Team facilitation for MGX, with several members having bespoke coaching
ESG	● MSCI AA rating: CDP A-; Sustainalytics 85% (Platinum low risk) ● ESG targets now embedded in both long term incentives and annual bonus

Simon Kirkpatrick (CFO)

Strategic targets

Strategy	● Achieved Investment Grade credit rating (BBB stable) ● Refinanced Revolving Credit Facility and US Private Placement notes at significantly reduced costs (>£3m) ● New Group reporting structure in place in H1 FY22 ● Interserve cost synergies of £30m delivered in FY22 ● 2 day reduction in Days Sales Outstanding through process improvements, contributing to a £60m working capital improvement
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Individual objectives

Finance function	● Interserve successfully folded into Mitie process and control environment ● Complex, automated intercompany billing solution delivered, generating £11m working capital improvement and £1.9m profit through process improvements ● Detailed operating model for finance developed, which should deliver significant savings and improved service for the Group ● Smooth year end reporting and audit process
Colleagues and stakeholders	● Over 10 moves and promotions made at senior levels of the finance team ● Succession planning and talent reviews held for the first time ● Good relationships established with many external stakeholders (USPP holders, banks, brokers, analysts, investors)

The bonus outcome is therefore as follows:

	% of salary	Total bonus payable		
		Total bonus £'000	Cash £'000	Deferred shares £'000
Phil Bentley	152% of salary	1,368	684	684
Simon Kirkpatrick	123.5% of salary	432	216	216

Annual Bonus Plan FY23

The ABP will be operated on similar terms for FY23. The maximum bonus opportunity for FY23 for Phil Bentley and Simon Kirkpatrick will be 160% and 130% of base salary respectively. Their awards will be payable by reference to performance against a blend of financial (70% of the bonus opportunity) and strategic targets (the remaining 30%). However, if none of the financial targets have been achieved, no bonus will be payable by reference only to the strategic targets. 50% of any bonus entitlement will be deferred.

Details of the targets will be disclosed in the FY23 remuneration report.

LTIP awards granted in 2021 (subject to audit)

On 24 September 2021, the following conditional LTIP awards were granted to the Executive Directors:

	Award	Type	Number of shares ¹	Face value	% of base salary	Performance conditions	Performance period	% vesting at threshold
Phil Bentley	Performance LTIP Sep 21	Nil-cost options	2,975,206	£1,800,000	200%	Performance conditions are set out in the table below	Three financial years ending 31 March 2024	25%
Simon Kirkpatrick	Performance LTIP Sep 21	Nil-cost options	867,768	£525,000	150%	Performance conditions are set out in the table below	Three financial years ending 31 March 2024	25%

Note:

1. Number of shares was calculated based on the average closing middle market price of 60.5p for the last five trading days prior to the start of the financial year on 1 April 2021.

LTIP awards granted in 2021 are subject to three performance measures, adjusted EPS, cash conversion and ESG targets. These awards will vest in 2024 conditional on performance against the following measures:

Performance measure	Weighting	Performance range	Vesting of portion of the award (performance period three years ending 31 March 2023)
Earnings Per Share (EPS)	50% of the award	6.9p – 7.8p	Zero vesting if EPS, as adjusted by the Committee as appropriate, is less than 6.9p. If EPS is equal to 6.9p, 25% of the award will vest. If EPS of 7.4p is achieved, 70% of the award will vest. Full vesting for this portion will occur if EPS of 7.8p or more is achieved. Between 6.9p and 7.4p and 7.4p and 7.8p the proportion of awards vesting will be determined on a linear sliding scale basis.
Cash conversion	35% of the award	80% – 90% pa	Zero vesting if cash conversion is less than 80% pa. At 80% pa cash conversion, 25% of the award will vest. At 85% pa cash conversion, 70% of the award will vest. Full vesting for this portion will occur if 90% pa cash conversion is achieved. Between 80% and 85% and 85% and 90%, the proportion of awards vesting will be determined on a linear sliding scale basis.
ESG targets	15% of the award	➊ Greenhouse gas emission reduction: 60% reduction in Scope 1 and 2 net emissions versus the FY20 baseline ➋ Fleet zero carbon: 65% of Mitie's total fleet is zero tailpipe emissions ➌ Employee engagement: improve employee engagement by 6ppt ➍ Customer engagement: improve net promoter score (NPS) by 6 ➎ Gender diversity: increase percentage of women holding senior leadership roles to 30% ➏ Ethnic diversity: increase percentage of racially diverse colleagues holding senior leadership roles to 10%	

The Committee has the discretion to determine the performance measures and how the performance ranges applicable to the award are applied, including discretion to adjust them in the event of changes in IFRS accounting standards, while ensuring that they are not materially easier or harder to satisfy than the original performance measures and ranges.

Directors' remuneration report

Annual report on remuneration continued

EDP awards granted in FY22 (subject to audit)

On 27 July 2021, the following conditional EDP awards were granted to the Executive Directors:

	Award	Type	Number of shares ¹	Face value	% of base salary	Performance conditions	Performance period	% vesting at threshold
Phil Bentley	EDP July 21	Nil-cost options	9,520,661	£5,760,000	640%	Performance conditions are set out in the table below	Three financial years ending 31 March 2024	25%
Simon Kirkpatrick	EDP July 21	Nil-cost options	1,504,132	£910,000	260%	Performance conditions are set out in the table below	Three financial years ending 31 March 2024	25%

Note:

1. Number of shares was calculated based on the average closing middle market price of 60.5p for the last five trading days prior to the start of the financial year on 1 April 2021.

The awards will vest in 2024 conditional on performance against the following measures:

Performance measure	Weighting	Threshold (1x multiplier)	Maximum (4x multiplier)
Return on invested capital (ROIC)	75% of the award	20.5% This is 1,140 bps above Mitie's WACC at 31 March 2021 of 9.1%.	24.5% This is 400 bps above the threshold level.
Synergies split as cost-saving synergies (85%) and cross-selling revenues (15%)	25% of the award	Cost-saving synergies of £35m, in line with the enhanced synergies set out in the November 2020 acquisition announcement. Cross-selling revenues into the Interserve customer base of £50m (measured as revenue from services not currently provided by Interserve to its customers).	Cost-saving synergies of £56m, representing over-performance of 60% against the £35m threshold (Interserve total overheads are c.£80m). Cross-selling revenues into the Interserve customer base of £100m.
For performance between threshold and maximum, the proportion of awards vesting will be determined on a linear sliding scale basis.			

LTIP 2022

Phil Bentley and Simon Kirkpatrick will be granted LTIP awards of 200% and 150% of base salary respectively in respect of FY23.

The awards will vest in 2025 conditional on performance against the following measures:

Performance measure	Weighting	Performance range	Vesting of portion of the award (performance period three years ending 31 March 2025)
Earnings Per Share (EPS)	50% of the award	7.1p threshold 7.9p target 8.7p maximum	25% 70% 100%
Return on invested capital	35% of the award	19.9% threshold 22.1% target 24.3% maximum	25% 70% 100%
ESG targets	15% of the award	① Greenhouse gas emission reduction: (a) revenue intensity of Scope 1 and 2 emissions reduced to 4.5%; and (b) 5% pa reduction in Scope 3 emissions ② Fleet zero carbon: 85% of Mitie's total fleet is zero tailpipe emissions ③ Employee engagement: improve employee engagement by 4ppt ④ Customer engagement: improve net promoter score (NPS) by 4 ⑤ Gender diversity: increase percentage of women holding senior leadership roles to 35% ⑥ Ethnic diversity: increase percentage of racially diverse colleagues holding senior leadership roles to 10%	

Note that the EPS figures above of 7.1p, 7.9p and 8.7p at threshold, target and maximum levels of performance effectively represent EPS growth of 6.4%, 10.2% and 13.8% per annum respectively from a notional base year FY22 EPS figure of 5.9p, which represents FY22 EPS excluding the non-repeatable COVID earnings.

The Committee has full discretion to ensure that the level of any vesting outcome is appropriate based on the overall performance of the Group and the shareholder experience and employee experience. Awards are also subject to an additional post-vesting holding period of at least two years.

Details of June 2019 LTIP award vesting in FY23

The Committee assessed the outcome of the June 2019 LTIP awards (based on FY22 results) granted under the plan against two performance measures:

Performance measure	Weighting	Performance range	Vesting of portion of the award (performance period three years ending 31 March 2022)	Mitie performance	Vesting (% of max)
Earnings Per Share (EPS) growth	50% of the award	5% – 10% pa	Zero vesting if EPS growth, as adjusted by the Committee as appropriate, is less than 5% pa. If EPS growth is equal to 5% pa, 25% of the award will vest. If Mitie achieves EPS growth of 7.5% pa, 70% of the award will vest. If EPS growth of 10% pa or more is achieved, all the awards will vest. Between 5% and 7.5% and 7.5% and 10%, the proportion of awards vesting will be determined on a linear sliding scale basis.	26% pa	50%
Cash conversion	50% of the award	80% – 90% pa	Zero vesting if cash conversion is less than 80% pa. At 80% pa cash conversion, 25% of the award will vest. 70% of the award will vest if Mitie achieves 85% pa cash conversion. Full vesting for this portion will occur if 90% pa cash conversion is achieved. Between 80% and 85% and 85% and 90%, the proportion of awards vesting will be determined on a linear sliding scale basis.	116% pa	50%

This results in 100% vesting of the 2019 LTIP award on a formulaic basis. As part of their assessment, the Committee took into account the wider performance of the Group and the context of both the shareholder and employee experience. In doing so, it determined that the outcome was appropriate and no discretion was applied. 2019 LTIP awards will vest later in 2022 and Phil Bentley's award is subject to a two-year post-vesting holding period. Simon Kirkpatrick's 2019 LTIP award was granted when he was not an Executive Director and was not subject to a two-year post-vesting holding period. All LTIP awards granted to Executive Directors are subject to a two-year post-vesting holding period.

Loss of office payments (subject to audit)

There have been no loss of office payments to past Directors during FY22.

Payments to past Directors (subject to audit)

Andrew Peeler's bonus payment for FY21 was disclosed as £200,000 in error in last year's remuneration report and should have been £250,000. As he was not a Director during FY22, his remuneration is not required to be disclosed in the single figure table for FY22, where this would have been corrected and explained in the prior year comparatives. For completeness, it should be noted that £175,000 was paid to him in January 2021 and £75,000 was paid to him at the end of his assignment with Mitie in June 2021. For clarity, there have been no other payments to Andrew since his departure. Therefore this represents a correction rather than an additional payment to a past Director. For completeness, there have been no other payments to past Directors during FY22 that relate to their period as a Director.

Directors' remuneration report

Annual report on remuneration continued

Percentage change in remuneration of Directors and employees

The table below sets out the change in remuneration of the Directors who served on the Board and Mitie's UK employees, which is considered the most appropriate group for comparison purposes.

	FY20/FY21 ¹			FY21/FY22 ¹		
	Salary ²	Benefits ³	Bonus	Salary ²	Benefits ³	Bonus
Average pay based on Mitie's UK employees	2.5%	(20.8)%	(23.9)%	4.1%	5.7%	99.4%
Executive Directors						
Phil Bentley	(12.5)%	(25.0)%	N/A ⁴	14.3%	10.1%	20.9%
Simon Kirkpatrick ⁵	N/A	N/A	N/A	N/A	N/A	N/A
Non-Executive Directors						
Derek Mapp	(12.5)%	–	–	14.3%	–	–
Nivedita Krishnamurthy Bhagat	(12.5)%	–	–	1.4%	–	–
Baroness Courtie	(10.5)%	–	–	14.3%	–	–
Jennifer Duvalier	(12.5)%	–	–	14.3%	–	–
Mary Reilly	(12.5)%	–	–	14.3%	–	–
Roger Yates	(12.5)%	–	–	14.3%	–	–

Notes:

- The average UK employee figures reflect the changes in average annual pay for UK employees employed throughout FY21 and FY22 for FY21/22 and throughout FY20 and FY21 for FY20/21. Employees who have been on furlough during FY21 or FY22 have been excluded for the purposes of this analysis.
- The increases in salary for Directors for FY22 compared with FY21 following the reductions in salary for FY21 compared with FY20 arose from the Non-Executive Directors and Phil Bentley volunteering 30% reductions in their fees/salaries respectively for five months from 1 April 2020 as part of Mitie's actions to mitigate the impact of COVID-19.
- Includes taxable benefits such as car/car allowance, private medical benefit and private fuel. The introduction of the 1% benefit in kind tax on electric vehicles has impacted the benefits in FY22. Also includes Phil Bentley's matching shares element from his SIP purchases for January - March 2022 based on the share price upon purchase.
- Phil Bentley's FY20 bonus was £nil as he waived it.
- Simon Kirkpatrick was appointed to the Board on 1 April 2021 and therefore there are no appropriate prior year comparatives in terms of Director remuneration. He will be included in next year's report when it will be possible to show a FY22/FY23 change in remuneration.

CEO pay ratio

The table below sets out the CEO pay ratio in respect of FY22. CEO pay ratio data for previous financial years is provided for reference.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
FY22	Option B	189:1	161:1	141:1
FY21 ¹	Option B	151:1	129:1	116:1
FY20	Option B	154:1	139:1	108:1

¹ The FY21 single figure has been updated as a result of reflecting the actual valuation on the closing share price on the first date of vesting of the LTIP award.

The pay ratios set out above were calculated using the Group's FY22 gender pay data based on employees as at 5 April 2021 under method B. Method B was selected because it made use of robust, readily available data and did not require additional analysis into the more than 70,000 UK employees employed by the Group. Total pay was calculated for a sample of employees at each quartile in order to ensure that the three identified employees were suitably representative of their quartile. A full-time equivalent total pay figure was calculated for each identified employee using the single figure methodology.

The CEO pay ratio figures for FY22 have increased this year due to an increase in the CEO's single figure, primarily as a result of the vesting of the 2019 LTIP and an increased annual bonus payment in respect of FY22 from FY21. As a Real Living Wage service provider, Mitie continues to increase pay levels among its various contracts and invest in competitive pay for all employees. Given that Mitie's workforce profile is made up of predominantly frontline customer-facing roles, the employees at each quartile used to compare Mitie's CEO's remuneration all operate within a frontline role. The Committee is comfortable that the pay ratios are consistent with the pay, reward and progression policies at Mitie.

The following table sets out the base salary and total pay figures for the employees identified at each quartile.

Year	Element of pay	25th percentile employee	Median employee	75th percentile employee
FY22	Base salary (FTE)	£19,760	£22,724	£26,660
	Total pay (FTE)	£20,433	£23,988	£27,519

Relative spend on pay

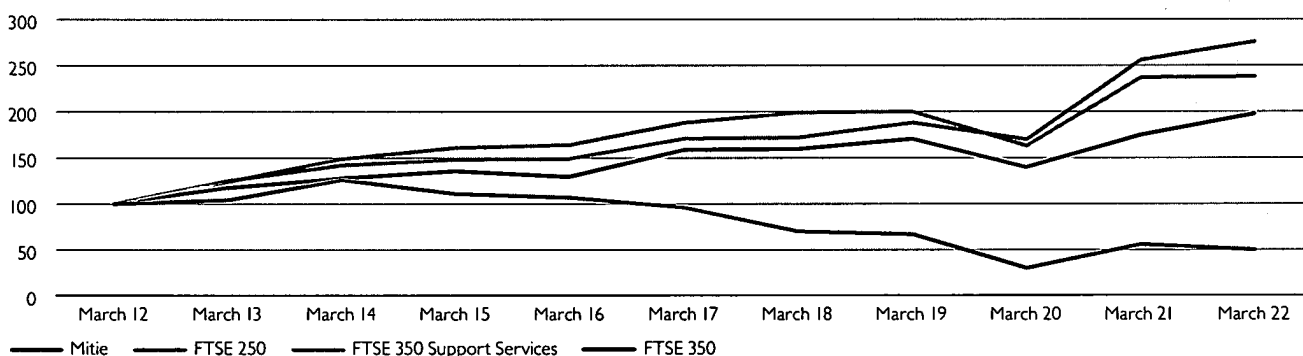
The table below shows the total cost of remuneration in the Group, compared with dividends distributed.

	Year ended 31 March 2022 £m	Year ended 31 March 2021 £m	Change
Aggregate employee remuneration	2,132	1,473	44.7%
Equity dividends	6	–	N/A

Assessing pay and performance

The table below provides a summary of the Chief Executive Officer's single figure remuneration over the past 10 years, as well as the pay-out and vesting levels of variable pay plans in relation to the maximum opportunity. The chart below shows the historical TSR performance over the same period, with Mitie's TSR restated for the bonus element of the 2020 rights issue. Three indices (FTSE 250, FTSE 350 Support Services and FTSE 350) have been chosen as they are widely recognised and Mitie has been a member of these indices during the period:

TSR (Rebased to 100)



	FY13	FY14	FY15	FY16	FY17 Ruby McGregor- Smith ¹	FY17 Phil Bentley ¹	FY18	FY19	FY20	FY21	FY22
Single figure remuneration	£2,105,131	£1,447,266	£1,525,824	£2,448,161	£530,628	£479,073	£1,102,549	£2,248,948	£2,029,856	£2,891,623 ³	£3,869,476
Annual bonus element (actual as a % of max)	85%	90%	50%	73%	0%	waived	waived	79%	waived	78.6%	95%
LTIP element (actual vesting as a % of max)	57.2%	0%	25%	69.5%	0%	n/a	n/a	n/a	79.7% ²	50%	100%

Notes:

- Ruby McGregor-Smith stepped down as Chief Executive Officer on 12 December 2016. Phil Bentley joined the Board on 1 November 2016 and assumed the position of Chief Executive Officer on 12 December 2016. The figures above include Phil Bentley's remuneration from 1 November 2016.
- This figure includes two LTIP awards that vested based on performance to 31 March 2020 which vested at 100% and 53% respectively.
- The single remuneration figure for FY21 has been adjusted from the figure published in the FY21 remuneration table to reflect the actual valuation of Phil Bentley's 2018 LTIP award based on the closing share price on the first date of vesting of the award, being 2 August 2021 (64.9p).

Directors' remuneration report

Annual report on remuneration continued

Share ownership (subject to audit)

	Number of shares owned as at 31 March 2022 ¹	Value of target holding	Target shareholding	Percentage of salary held as at 31 March 2022	Percentage of target achieved as at 31 March 2022	Compliance with share ownership guidelines
Phil Bentley ²	10,754,889	£1,800,000	2,975,207	723%	361%	Achieved
Simon Kirkpatrick	6,332	£700,000	1,157,025	1%	1%	Not achieved but compliant³

Notes:

- Includes shares owned by connected persons.
- Value of target holding is 200% of base salary for Phil Bentley. Historically the target shareholding was calculated by reference to the share price on Phil's appointment as CEO. In order to align with typical market practice and the approach that applies to other members of the MGX, the target shareholding will now be calculated using the average share price for the five business days prior to the end of FY21 (60.5p).
- Simon Kirkpatrick was appointed to the Board on 1 April 2021.

Directors' outstanding share interests (subject to audit)

The following tables provide the outstanding share interests for the Executive Directors:

Directors' interests granted under the share schemes

	Year of grant	Options outstanding as at 31 March 2021 ¹⁰	Granted in year	Lapsed in year	Exercised in year	Options outstanding as at 31 March 2022 ¹¹	Exercise price	Earliest normal exercise date
Phil Bentley	Nov 2016 LTIP ¹	425,094	–	–	(425,094)	–	Nil-cost	May 2020 ⁸
	July 2017 LTIP ²	343,117	–	–	(171,558)	171,559	Nil-cost	July 2020 ⁸
	Aug 2018 LTIP ³	2,283,069	–	(1,141,534)	–	1,141,535	Nil-cost	Aug 2021 ⁸
	June 2019 LTIP ⁴	2,275,608	–	–	–	2,275,608	Nil-cost	June 2022 ⁸
	Aug 2020 LTIP ⁵	5,278,592	–	–	–	5,278,592	Nil-cost	Aug 2023 ⁸
	Sep 2021 LTIP ⁶	–	2,975,206	–	–	2,975,206	Nil-cost	Sep 2024 ⁸
	July 2021 EDP ⁷	–	9,520,661	–	–	9,520,661	Nil-cost	Sep 2024 ⁸
	June 2019 DBP	722,847	–	–	(722,847)	–	Nil-cost	June 2021
	June 2021 DBP ¹²	–	769,514	–	–	769,514	Nil-cost	June 2023
	Nov 2021 SAYE	–	35,714	–	–	35,714	50.40p	Feb 2025
Simon Kirkpatrick	Oct 2019 LTIP ⁴	148,913	–	–	–	148,913	Nil-cost	Oct 2022
	Aug 2020 LTIP ⁵	322,580	–	–	–	322,580	Nil-cost	Aug 2023
	Sep 2021 LTIP ⁶	–	867,768	–	–	867,768	Nil-cost	Sep 2024 ⁸
	July 2021 EDP ⁷	–	1,504,132	–	–	1,504,132	Nil-cost	Sep 2024 ⁸
	Dec 2020 CSP ⁹	577,427	–	–	–	577,427	Nil-cost	Dec 2022
	Sep 2020 SAYE	46,187	–	–	–	46,187	27.28p	Dec 2023

Notes:

- The performance criteria applicable to the November 2016 LTIP award were disclosed on pages 154 and 155 of the FY20 remuneration report.
- The performance criteria applicable to the 2017 LTIP awards were disclosed on pages 155 and 156 of the FY20 remuneration report.
- The performance criteria applicable to the 2018 LTIP awards were disclosed on page 110 of the FY21 remuneration report.
- The performance criteria applicable to the 2019 LTIP awards are disclosed on page 125 of this FY22 remuneration report.
- The performance criteria applicable to the 2020 LTIP awards were disclosed on pages 108 and 109 of the FY21 remuneration report.
- The performance criteria applicable to the 2021 LTIP awards are disclosed on page 123 of this FY22 remuneration report.
- The performance criteria applicable to the 2021 EDP awards are disclosed on page 124 of this FY22 remuneration report.
- Awards are subject to an additional two-year holding period.
- The 2020 Conditional Share Plan (CSP) awards are subject to a personal performance rating.
- For all awards prior to August 2020, the number of options has been adjusted for the bonus element of the Rights Issue (x1.93426825).
- The closing market price of the Company's shares as at 31 March 2022 was 62.9p. The highest and lowest closing market prices during FY22 were 77.3p and 46.45p respectively.
- The Deferred Bonus Plan award on 17 June 2021 represents the deferral of 50% of the bonus awarded for FY21 with the number of shares based on the closing middle market price of 73.5p for the day before the date of grant.

Directors' share ownership

	Number of ordinary shares beneficially owned as at 31 March 2022 (or date of cessation if earlier) ¹	Number of ordinary shares beneficially owned as at 31 March 2021 (or date of cessation if earlier)
Executive Directors		
Phil Bentley	10,754,889	9,154,496
Simon Kirkpatrick ²	6,332	N/A
Non-Executive Directors		
Derek Mapp	553,812	494,806
Nivedita Krishnamurthy Bhagat	85,649	75,108
Baroness Couttie	86,311	70,582
Jennifer Duvalier	78,243	67,581
Mary Reilly	92,663	79,698
Roger Yates	160,000	160,000

Notes:

- The number of shares beneficially owned since 31 March 2022 has changed due to a planned purchase that took place on 1 April 2022 for Non-Executive Directors. The revised figures are as follows: Derek Mapp – 571,198 shares, Baroness Couttie – 90,833 shares, Jennifer Duvalier – 81,416 shares, and Mary Reilly – 96,521 shares. In addition, Phil Bentley made two SIP transactions, one on 13 April 2022 where an additional 441 shares were acquired and one on 13 May 2022 where 416 shares were acquired.
- Simon Kirkpatrick was appointed to the Board on 1 April 2021.

There have been no changes, other than those in note 1 above, between 1 April 2022 and 7 June 2022, the last practicable date prior to the date of this report.

Share dilution

The Company manages dilution rates within the standard guidelines of 10% of issued ordinary share capital in respect of all employee schemes and 5% in respect of discretionary schemes. In calculating compliance with these guidelines, the Company allocates available headroom on a 10-year flat-line basis, making adjustments for projected lapse rates and projected increases in issued share capital.

LTIP and deferred bonus awards are satisfied through the market purchase of shares held by the Mitie Group plc Employee Benefit Trust. The potential dilution of the Company's issued share capital is set out below in respect of all awards granted in the last 10 years under the Company's equity-based incentive schemes which are being satisfied through the allotment of new shares or treasury shares.

Share dilution at 31 March 2022	Dilution
All share plans (maximum 10%)	7.8%
Discretionary share plans (maximum 5%)	2.9%

Directors' remuneration report

Annual report on remuneration continued

Shareholder voting

Mitie remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Directors' remuneration, the Group seeks to understand the reasons for any such vote, and will detail here any actions in response to it.

At the Company's 2021 AGM, a resolution was passed to approve the 2021 Directors' remuneration report and a separate resolution was passed to approve the 2021 Directors' remuneration policy. The results of the votes on these resolutions were as follows:

Number of votes	Votes in favour	Votes against	Withheld ¹
2021 Directors' remuneration policy – 2021 AGM	835.7m 70.1%	356.9m 29.9%	1.4m –
2021 Directors' remuneration report – 2021 AGM	950.9m 79.7%	242m 20.3%	1.2m –

Note:

1. Votes withheld are not counted in the calculation of the proportion of votes for or against a resolution.

The Board notes that, although the resolutions to approve the Directors' remuneration report and the Directors' remuneration policy were passed by a majority of shareholders, a significant minority of shareholders voted against the resolutions. The Company undertook extensive consultation with major shareholders prior to the AGM regarding remuneration matters and some changes were made to the final EDP to reflect shareholder feedback. The Board has a clear understanding of the reasons why a minority of shareholders were not supportive of the EDP. One major shareholder voted against the resolution related to the authority to disapply pre-emption rights for the purposes of acquisitions and capital investments and the Board has a clear understanding of their rationale for not supporting this resolution. The Board appreciated the level of engagement with many shareholders.

Remuneration Committee and its advisors

The Remuneration Committee seeks and considers advice from independent remuneration advisors where appropriate.

Deloitte LLP have acted as independent remuneration advisors to Mitie since September 2017. The advisors attended Committee meetings and provided advice and analysis of executive remuneration. During their tenure, the advisors provide no other services to the Company (save in relation to services connected to executive remuneration and share plans) and also comply with the Code of Conduct for Remuneration Consultants. The advisors' total cost of advice to the Committee for the year was £28,500 (such fees being charged in accordance with their standard terms of business).

The Committee specifically considered the position of the advisors and was satisfied that the advice the Committee received from them was objective and independent, given that they provided no other services to the Company.

Social Value & Responsible Business Committee report



We've made great strides at embedding sustainability and social value across Mitie, and are dedicated to driving this further. Our award winning Plan Zero initiative and Ready2Work programmes are a testament to the value we are adding to communities in protecting our environment and creating employment opportunities for underrepresented groups.

Baroness Coughtie
Chair of the Social Value & Responsible Business Committee

Social Value & Responsible Business Committee members

At the date of this report and throughout FY22, the Social Value & Responsible Business Committee comprised:

Chair: Baroness Coughtie

Committee members:

Salma Shah (from 1 April 2022)

Peter Dickinson, Chief of Staff, General Counsel & Company Secretary

Kath Fontana, Managing Director of Projects (until 31 March 2022)

Jasmine Hudson, Group HR Director

Simon King, Director of Sustainability & Social Value (until 25 February 2022)

Claire Lovegrove, Head of Media Relations

Danny Spencer, Managing Director of Care & Custody (from 22 September 2021)

Jason Towse, Managing Director of Business Services

Simon Venn, Chief Government & Strategy Officer

Social Value & Responsible Business Committee meetings

The Social Value & Responsible Business Committee met five times during FY22.

Key purpose of the Social Value & Responsible Business Committee

The purpose of the Social Value & Responsible Business Committee is to provide oversight and governance for all of Mitie's social value and responsible business initiatives, ensuring they are aligned to Mitie's Purpose, Promises and Values.

Key responsibilities of the Social Value & Responsible Business Committee

The key responsibilities of the Social Value & Responsible Business Committee include:

- ➊ Driving the social value and responsible business agenda on behalf of the Group
- ➋ Ensuring that the Group conducts its business in a commercially responsible way to achieve maximum positive impact on the communities, people and the environment in which it works
- ➌ Benefiting Mitie's customers, colleagues and shareholders

The Social Value & Responsible Business Committee Terms of Reference are available at www.mitie.com/investors/corporate-governance.

Task Force on Climate-Related Financial Disclosures (TCFD)

Board oversight of climate-related risks and opportunities

Both the Board and the Social Value & Responsible Business Committee have oversight of climate-related risks and opportunities.

At each Board meeting, the Chair of the Committee provides an update which includes an overview of any Committee meeting and any recommendations from the Committee requiring approval by the Board.

Derek Mapp, Chair of the Board, joined two Committee meetings during FY22 and with effect from 1 April 2022, Salma Shah, Independent Non-Executive Director, was appointed as an additional member of the Committee.

All members of the Board have access to Social Value & Responsible Business Committee meeting papers via an electronic Board portal.

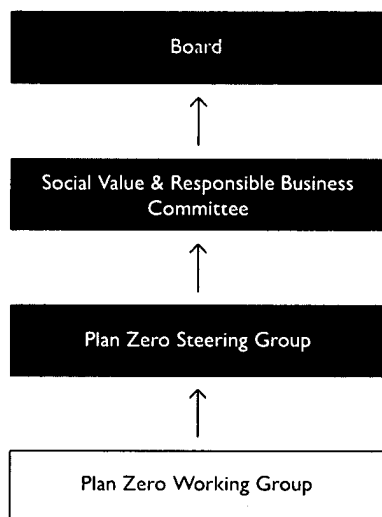
Management's role in assessing and managing climate-related risks and opportunities

Due to the action-oriented nature of the Committee, a significant proportion of its membership comprises members of the MGX and senior management. As at 31 March 2022, four Committee members were members of the MGX.

As illustrated on the following page, a governance framework comprising the Plan Zero Working Group, Plan Zero Steering Group, the Committee and the Board, ensures that climate-related risks and opportunities are appropriately assessed and managed at Mitie.

Mitie's Climate Change risk assessment document (TCFD risks and opportunities) is maintained by Jason Roberts, Group Director for Sustainability & Social Value, who is a regular attendee of the Committee and Chair of the Plan Zero Steering Group. Senior members of the Finance team distribute the document to all business areas for them to review business and operation-specific risks and opportunities.

Social Value & Responsible Business Committee report continued



Governance framework

Board

The Board has overall responsibility for sustainability, environmental and climate-related matters, including TCFD risks and opportunities.

The Board reviews climate-related risks and opportunities as part of its principal risks and business strategy considerations.

Social Value & Responsible Business Committee

The Committee has oversight for sustainability, environmental and climate-related matters, including TCFD risks and opportunities.

The Committee reviews and approves Mitie's Climate Change Risk Assessment document (TCFD risks and opportunities) following its approval by the Plan Zero Steering Group.

The Committee receives regular updates on outputs from Plan Zero Steering Group meetings.

Plan Zero Steering Group

The Plan Zero Steering Group meets quarterly and reports to the Committee. Its members include Managing Directors of Mitie's business divisions and senior members of the Finance team. Its key responsibilities include to:

- ➊ Oversee and direct the Plan Zero Working Group
- ➋ Deliver Plan Zero solutions and opportunities to Mitie's customers
- ➌ Review and mitigate identified climate-related risks
- ➍ Realise climate-related opportunities
- ➎ Review and approve Mitie's Climate Change Risk Assessment document (TCFD risks and opportunities)

Plan Zero Working Group

The Plan Zero Working Group meets monthly and reports to the Plan Zero Steering Group. Its members include ESG team members and operational managers from across the Group. Its key responsibilities include to:

- ➏ Identify and deliver actions to achieve Plan Zero objectives
- ➐ Develop, review and update Mitie's Climate Change Risk Assessment document (TCFD risks and opportunities)

Key activities during the year

Developed Environmental, Social and Governance (ESG) performance

During FY22, the Committee discussed initiatives aimed at improving Mitie's ESG scores with ESG rating agencies. As a result of these initiatives, Mitie received the highest ranking Platinum Award in The Sustainable FM Index's (SFMI) December 2021 report, an improvement on Mitie's Gold Award in 2020.

Progress on Plan Zero

During FY22, Mitie made significant progress on transitioning its fleet to electric vehicles (EV). With over 2,200 EVs deployed, Mitie has one of the largest pure electric fleets in the UK.

Following the completion of site audits in FY21 across Mitie's estate, all identified optimisation measures have been implemented. During FY22, Mitie's Property Team commenced the process of removing gas fired boilers from the estate, and as at 31 March 2022 Mitie had nine buildings that were fully decarbonised and operating on 100% renewable energy. A further seven buildings have been identified for transition to low carbon heat pumps in FY23.

Mitie Waste made significant progress in diverting waste from landfill. Over 10,000 bags of old Intervise uniforms were collected from colleagues over a four-month period through Mitie's recycling services. Eighty tonnes of textiles were diverted from landfill which saved 1,787 tonnes of carbon.

Mitie supported public and private sector organisations with their own decarbonisation agendas. During FY22, Mitie provided Plan Zero pathways for 24 customers at nearly 800 sites and executed decarbonisation capital projects across its customer base, implementing specialist technologies including EV charging infrastructure, solar PV and heat pumps. Mitie also supported its public sector clients to successfully apply for £73m from the Public Sector Decarbonisation Scheme.

Mitie's leadership position has been recognised by winning various awards including The IVVM Impact Award for Positive Climate Action 2021, GREENFLEET Award for Outstanding Achievement, Fleet News Fleet of the Year Award and edie Fleet Management Initiative of the Year award.

In February 2021, Mitie made a public commitment to a science-based target to address all of its Scope 3 emissions with a Net Zero target by 2035, incorporating its supply chain. Mitie expects to submit its plans to the Science-Based Target Initiative for verification during HY23.

Strong progress on social value targets

Progress against Mitie's social value targets continues to improve. Mitie achieved all of its 13 social value targets for FY22.

Highlights for FY22 include:

- ➏ Completed 14,650 volunteering hours (target was 12,000 hours)
- ➐ Promoted Voluntary, Community and Social Enterprise spend in our procurement to the value of £1.1m (target was spend of £750k)
- ➑ Saved an additional 1,569 tonnes of carbon (target was to reduce carbon to a maximum of 25,230 tonnes and Mitie achieved a reduction to 23,661 tonnes)
- ➒ Increased racial diversity of the Mitie Leadership Team to 8% (target was 3%)

Progress against Mitie's social value targets is published monthly on www.mitie.com/esg providing public transparency on performance.

The Mitie Foundation

The Foundation continues to support individuals with perceived barriers to employment, such as the long-term unemployed, those with disabilities or learning difficulties, veterans and people with convictions. During FY22, the Foundation delivered four Ready2Work programmes across the country, supporting 50 individuals with perceived barriers to employment to gain hands-on work experience within Mitie's service lines. Nearly 70% of those who completed the programme went on to gain sustainable employment. Mitie's Ready2Work programme also won two awards, enie's Driving Social Inclusion in the Workplace and UK Social Mobility Award's Recruitment Programme of the Year.

During FY22, the Foundation also launched a career page, to support applications for Mitie vacancies from individuals introduced by Foundation partners. The Foundation offers advice and guidance on effective job searches, as well as CV and interview preparation where needed. Foundation candidates who apply for a job with Mitie are guaranteed an interview provided they meet the job role's minimum entry requirements. Since the implementation of this process, over 136 colleagues have joined the Mitie business in various roles including management.

Baroness Couttie

Chair of the Social Value & Responsible Business Committee

DocuSigned by:

Philippa Couttie
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Directors' report

The Directors present their Annual Report, together with the audited financial statements of the Company and the Group, for the year ended 31 March 2022.

The Directors' report required under the Companies Act 2006 comprises the corporate governance statement on pages 85 to 106. The corporate governance statement on pages 85 to 106 fulfils the requirement under Disclosure Guidance and Transparency Rules of the Financial Conduct Authority (DTR) 7.2.1.

For the purposes of DTR 4.1.8R, the management report for the year ended 31 March 2022 comprises the Strategic report and this Directors' report.

Cross-references

Employee engagement	Details of how Mitie encourages employee involvement can be found in the Strategic report on pages 37 to 40.
Equality, diversity and inclusion (including employment of disabled persons)	Details of Mitie's commitment to equality, diversity and inclusion, including in relation to the employment of disabled persons, can be found on pages 37 to 40.
Business relationships	Details of how the Directors have had regard to the need to foster Mitie's business relationships with suppliers, customers and others, and the effect of this on the principal decisions taken by the Company during the year, can be found in the Strategic report on pages 81 to 82.
Greenhouse gas emissions, energy consumption and efficiency	Details of greenhouse gas emissions, energy consumption and efficiency can be found in the Strategic report on page 45.
Environmental data	Environmental data can be found in the Strategic report on page 45.
The information required to be disclosed by Listing Rule 9.8.4 can be found in the following locations:	
Details of any long-term incentive schemes	Directors' remuneration report on pages 115 to 130 and Note 31 to the consolidated financial statements
Details of any arrangements under which a Director has waived or agreed to waive any emoluments or future emoluments	Directors' remuneration report on page 127
Shareholder waiver of dividends and future dividends	Directors' report on page 133

No shareholder is considered a controlling shareholder as defined in the Financial Conduct Authority Handbook.

The remaining disclosures required by LR 9.8.4 are not applicable to the Company.

Principal Group activities

The Company is the holding company of the Group and its principal activity is to provide management services to the Group. The Group's activities are focused on the provision of strategic outsourcing services, further details of which can be found on pages 2 to 3 of the Strategic report.

The Company does not have any branches registered overseas, but certain subsidiaries of the Company have registrations/branches across the United Kingdom, Republic of Ireland, Guernsey, Jersey, Isle of Man, Ascension Island, Austria, Belgium, Cyprus, Czech Republic, Denmark, Falkland Islands, Finland, France, Germany, Ghana, Gibraltar, Hungary, Kenya, Luxembourg, the Netherlands, Nigeria, Oman, Poland, Saudi Arabia, Slovakia, Spain, Switzerland and the United Arab Emirates. Details of the Company's subsidiaries are set out in Note 37 to the consolidated financial statements.

Given the nature of its activities, no material research and development work is carried out by the Group.

The Board's view on the likely future development of the Group is set out in the Strategic report on pages 6 to 12.

Financial results

A detailed commentary on the operational and financial results of the Group for the year is contained within the Strategic report, including the Finance review on pages 59 to 63.

The Group's profit before tax from continuing operations for the year ended 31 March 2022 was £52.3m (2021: restated £13.7m loss).

Dividends

An interim dividend of 0.4p per Ordinary Share (2021: nil) with a total value of £5.7m was paid to shareholders on 2 February 2022.

The Directors recommend a final dividend of 1.4p per Ordinary Share (2021: nil) with a total value of £19.5m (2021: nil) based upon the number of shares in issue as at 7 June 2022. Subject to approval at the 2022 AGM, the final dividend will be paid on 5 August 2022 to shareholders on the register as at close of business on 24 June 2022.

Total dividends per Ordinary Share for the year ended 31 March 2022 will be 1.8p (2021: nil).

As at 31 March 2022, the Company had distributable reserves of £54.6m (2021: £89.6m).

Mitie operates a Dividend Re-Investment Plan (DRIP) which allows shareholders to use their cash dividend to purchase additional Ordinary Shares. Further details on the operation of the DRIP and how to apply are available from Mitie's Registrar, Link Group.

The trustees of the Company's Employee Benefit Trust agreed to waive dividends payable on Ordinary Shares held by the trust in respect of the year ended 31 March 2022.

In accordance with Section 726 of the Companies Act 2006, no dividends are paid on Ordinary Shares held in treasury.

Directors

The names of all persons who served as Directors of the Company at any time during FY22 are set out on page 100. Full biographical details of the current Directors, including Committee membership and external appointments, are set out on pages 87 to 89.

Director independence

The Board considered the independence of all Non-Executive Directors during FY22 and determined that, as at 31 March 2022, all Non-Executive Directors continued to be independent in mind and judgement, and free from any material relationship that could interfere with their ability to discharge their duties effectively.

Indemnification of Directors and insurance

The Directors and the Company Secretary benefit from an indemnity provision under the Articles.

Additionally, all Directors and the Chief of Staff, General Counsel & Company Secretary have been granted a qualifying third-party indemnity provision (as defined by Section 234 of the Companies Act 2006) which has been in force throughout FY22 and remains in force as at the date of this report.

Directors' report continued

Certain subsidiary directors have also been granted a qualifying third-party indemnity provision which has been in force throughout FY22 and remains in force as at the date of this report.

The Group maintains directors' and officers' liability insurance which provides appropriate cover for any legal action brought against the Group's Directors and/or officers. The Group also maintains Pension Trustees Liability insurance which provides cover in respect of legal action brought against the trustees of Mitie's pension schemes.

Share capital

The Group is financed through equity share capital and debt instruments. Details of the Company's share capital are given in Note 28 to the consolidated financial statements. Details of the Group's debt instruments are set out in Note 24 to the consolidated financial statements. Throughout FY22, the Company's issued share capital was publicly listed on the London Stock Exchange and it remains so as at the date of this report.

Financial instruments

The Group's financial instruments include bank borrowing facilities, lease liabilities, overdrafts, US private placement loan notes and derivatives which are used to manage interest, currency and other risks when necessary or material.

The principal objective of these instruments is to raise funds for general corporate purposes and to manage financial risk. Further details of these instruments are given in Note 25 to the consolidated financial statements.

The Company has a single class of shares divided into ordinary shares of 2.5 pence each (Ordinary Shares). The Ordinary Shares are entitled to one vote each per share at general meetings and have no right to any fixed income.

In accordance with the Company's Articles of Association, holders of Ordinary Shares are entitled to participate in any dividends pro rata to their holding. The Board may propose and pay interim dividends and recommend a final dividend to shareholders for approval at an AGM. A final dividend may be declared by the shareholders at an AGM by ordinary resolution, but such dividend cannot exceed the amount recommended by the Board.

Restrictions on the transfer of shares

Ordinary Shares held by Project County SPV I Designated Activity Company were subject to the terms of the Share Box Agreement (as further described in the circular issued to shareholders on 4 November 2020 in connection with the acquisition of Interserve Facilities Management (Interserve) by the Company), pursuant to which the voting rights

attaching to the Ordinary Shares held by Project County SPV I Designated Activity Company were to be exercised by How Group Limited and How Group Limited was able to extract amounts in respect of dividends attaching to such Ordinary Shares (subject to certain restrictions under the Share Box Agreement) for such time as the Ordinary Shares were held by Project County SPV I Designated Activity Company. How Group Limited sold its remaining holding in the Company's issued share capital during FY22 was announced on 17 June 2021.

The Company is not aware of any other agreements between holders of its securities which may result in restrictions on the transfer of securities or voting rights. No person has any special rights of control over the Company's share capital.

There are no specific restrictions on the size of any shareholding or on the transfer of shares, which are both governed by the provisions of the Articles.

Under Mitie's Rules on Share Dealing, persons with access to certain confidential Company information or inside information are required to follow a clearance to deal procedure and may be restricted from dealing in the Company's shares. Persons subject to these requirements are notified individually and appropriately informed of the rules.

Significant interests in the Company's share capital

As at 31 March 2022, insofar as it is known to the Company by virtue of notifications made pursuant to the Companies Act 2006 and/or Chapter 5 of the Disclosure Guidance and Transparency Rules or otherwise, the following persons were, directly or indirectly, interested (within the meaning of the Companies Act 2006) in 3% or more of the Company's issued share capital (being the threshold for notification that applies to shareholders pursuant to Chapter 5 of the Disclosure Guidance and Transparency Rules):

	Number of Ordinary Shares	% of voting rights
Silchester International Investors LLP	200,588,146	14.02%
FIL Limited	140,742,713	9.83%
Brandes Investment Partners LLP	91,892,126	6.42%
Heronbridge Investment Management	83,460,781	5.83%
Schroder plc	77,614,308	5.42%
Alchemy Special Opportunities Fund IV	71,023,280	4.96%
BlackRock Inc	69,974,298	4.89%
Vanguard Group	60,078,240	4.20%
FMR LLC	59,374,800	4.15%
Oasis Investments II Master Fund	56,201,527	3.93%
Lombard Odier Investment Managers	43,978,187	3.07%

No changes have been notified to the Company pursuant to Chapter 5 of the Disclosure Guidance and Transparency Rules between the end of the period under review and 7 June 2022, the latest practicable date prior to the date of this report.

Directors' interests in the Company's share capital are set out in the Directors' remuneration report on page 129.

Powers of the Company to issue or buy back its own shares

During FY22, the Company allotted 5,283,107 new Ordinary Shares as detailed below.

- 2,341,931 new Ordinary Shares were subscribed for by the Company's Employee Benefit Trust at nominal value on 2 August 2021 following a block listing
- 2,941,176 new Ordinary Shares were subscribed for by the Company's Employee Benefit Trust at nominal value on 6 January 2022 following a block listing

The Company did not undertake any market purchases of its own shares during FY22. The Employee Benefit Trust purchased 22.9m shares during FY22. 6,155,800 shares were distributed from treasury to the Company's Share Incentive Plan trust during FY22. 297,567 shares were distributed from treasury in connection with the exercise of awards under the Mitie Group plc 2011 SAYE scheme during FY22. Exercisable awards under the Mitie Group plc 2001 and 2011 Executive Share Option schemes were underwater during FY22 and no awards were exercised.

The total number of Ordinary Shares held by the Company in treasury as at 31 March 2022 was 1,290,992, representing 0.1% of the issued share capital of the Company (2021: 7,744,359, representing 0.5% of the issued share capital of the Company).

At the AGM held on 27 July 2021, the Company's shareholders authorised:

- The Directors to allot Ordinary Shares up to an aggregate nominal amount of £3,563,906.40, equating to 10% of the issued share capital of the Company (excluding treasury shares) as at 11 June 2021
- The disapplication of pre-emption rights over allotted shares up to an aggregate nominal value of £1,781,953.20, equating to 5% of the issued share capital (excluding treasury shares) and 4.99% of the issued share capital (including treasury shares) of the Company, each as at 11 June 2021
- The disapplication of pre-emption rights over allotted shares up to an aggregate nominal value of £1,781,953.20, equating to 5% of the issued share capital (excluding treasury shares) and 4.99% of the issued share capital (including treasury shares) of the Company, each as at 11 June 2021, in connection with the financing (or refinancing, if the authority is to be used within six months after the original transaction) of an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment

- The Company to make market purchases of its own shares up to a total of 142,556,256 Ordinary Shares, equating to 10% of the issued share capital (excluding treasury shares) of the Company as at 11 June 2021

These authorities will expire on the earlier of 30 September 2022 and the conclusion of the 2022 AGM. A renewal of these authorities will be put to shareholders at the 2022 AGM. Further details are included in the notes to the relevant meeting notice, which can be found on Mitie's website.

Articles of Association

At the AGM held on 27 July 2021, shareholders approved the adoption of new Articles of Association of the Company (the "Articles"). Amendments to the Articles must be approved by at least 75% of those voting in person or by proxy at a general meeting of the Company. The Articles are available at www.mitie.com/investors/corporate-governance.

Significant agreements – change of control

There are a number of agreements with provisions that take effect, alter or terminate upon a change of control of the Company (including following a takeover bid), such as bank facility agreements and other financial arrangements and employee share scheme rules. None of these are considered to be significant in terms of their likely impact on the normal course of business of the Group. The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs solely because of a change of control.

Disclosure of information to the auditor

Each Director in office as at the date of this Directors' report confirms that:

- So far as he/she is aware, there is no relevant audit information of which the Company's auditor is unaware
- He/she has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

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

Post balance sheet events

Details of post balance sheet events can be found in Note 36 to the consolidated financial statements.

By order of the Board

DocuSigned by:

Peter Dickinson

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Peter Dickinson

Chief of Staff, General Counsel & Company Secretary

9 June 2022

Statement of Directors' responsibilities

in respect of the Annual Report, Remuneration 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, the Directors are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and with UK-adopted international accounting standards and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law including Financial Reporting Standards 101 Reduced Disclosure Framework.

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

In preparing these financial statements, the Directors are required to:

- ➊ Select suitable accounting policies and apply them consistently
- ➋ Make judgements and accounting estimates that are reasonable, relevant, reliable and prudent
- ➌ For the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements
- ➍ For the Company financial statements, state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- ➎ Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group or Company will continue in business
- ➏ Prepare a Directors' report, Strategic report and Directors' remuneration report which comply with the requirements of the Companies Act 2006

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 its financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. 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.

The Directors are responsible for ensuring that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Directors' responsibilities pursuant to DTR4.1.12

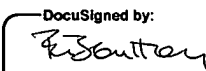
The Directors confirm that to the best of their knowledge:

- ➊ The Group financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- ➋ The management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

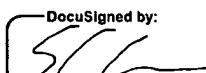
Website publication

The Directors are responsible for ensuring that the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

By order of the Board

DocuSigned by:

 Phil Bentley
 Chief Executive

9 June 2022

DocuSigned by:

 Simon R. Patrick
 Chief Financial Officer

9 June 2022



Financial statements

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Independent auditor's report to the members of Mitie Group plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Mitie Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2022 which comprise Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and notes to the consolidated financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

The Parent Company financial statements comprise the Company Balance Sheet, the Company Statement of Changes in Equity and notes to the company financial statements, including a summary of significant accounting policies. The financial reporting framework applied is applicable law and FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 19 September 2017 to audit the financial statements for the year ended 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement including reappointments is five years, covering the years ended 31 March 2018 to 31 March 2022.

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

Following the acquisition of Interserve Facilities Management on 30 November 2020, we identified that certain services were provided by overseas member firms of the BDO network to entities within the Interserve subsidiaries acquired, which were prohibited under the FRC's Ethical Standard. These services were therefore terminated at the earliest opportunity and in accordance with the Standard.

However, we identified that a further engagement for VAT services between BDO Denmark and a former Interserve subsidiary, which was previously understood to have ceased prior to 31 March 2021 year end but had continued to be provided to Mitie FM Limited (formerly Interserve (Facilities Management) Ltd). We have obtained confirmation that the services are now terminated and a new VAT provider has been appointed. The fees charged for the VAT services were £250.

We have assessed the threats to independence as a result of the provision of this service and, in our opinion, we do not consider that our independence has been compromised by the inadvertent breach of the FRC's Ethical Standard.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We considered the risks and uncertainties identified by the Directors that are associated with the Group's customers, suppliers and workforce. We assessed this against our own views on the risks based on our understanding of the business, current Government guidance, and the business' performance in the 2022 financial year;
- We obtained the Directors' cash flow forecasts covering a period of 12 months from the date of approval of the financial statements, and challenged the key assumptions in respect of revenue growth, gross profit margins, cash generation and the potential impact of key provisions and contingent liabilities with reference to our knowledge of the business, its historical performance and results. We evaluated whether the Directors had considered appropriate risks and uncertainties in the preparation of the cash flow forecasts based on our assessment of the risks and issues relating to the business;
- We tested the integrity of the forecast model and assessed its consistency with approved budgets;
- We obtained and critically reviewed the Directors' reverse stress test analysis, performed to determine the point at which:
 - a downturn in revenues; or
 - a deterioration of gross margin; or
 - an increase in costs; or
 - a downturn in cash generation
 would result in a covenant breach or liquidity shortfall and without further mitigation would potentially impact the going concern of the business. Our consideration included an assessment of whether the reverse stress test analysis appropriately related to the key risks and issues to which the models were sensitive, and we challenged the nature and feasibility of the mitigating actions available to the business identified by the Directors;
- We challenged the Directors conclusion that the downside sensitivities required for either a covenant breach or liquidity shortfall was remote by reference to our knowledge of the business, and the wider environment in which it operates. This included an assessment of reverse stress test sensitivities and current trading performance;
- We obtained the new financing agreements entered into by the Group during the year and confirmed that the revolving credit facility was extended to October 2025;

- We considered Management's assessment of the Group meeting pre-drawdown conditions of the new US Private Placement Note agreement which is due to be utilised in December 2022;
- We assessed covenants during the year and at year end, to check that the Group were compliant under the terms of the financing agreements;
- We evaluated forecast covenant compliance and headroom calculations with reference to the covenants stated in the relevant financing agreements; and

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

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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

Overview

Coverage ¹	97% (2021: 100%) of Group revenue 91% (2021: 99%) of Group total assets
Key Audit Matters ("KAMs")	1) Revenue recognition and cut-off of accrued income - consistent with prior year 2) Accounting for the acquisition of the Interserve component – consistent with prior year 3) Onerous contract and claims provisions (within the acquired Interserve subsidiaries) – consistent with prior year The prior year KAMs also included Presentation of Other Items. Whilst the Group continues to recognise Other Items in its Consolidated Income Statement, this is not considered a KAM in the current year due to the decreased level of judgement involved in the classification of Other Items.
Materiality	Group financial statements as a whole £6.4m (2021: £3.8m) based on 5% of continuing profit before tax and non-recurring other items (2021: 5% of 3-year normalised average continuing profit before tax and Other Items)

¹ These are areas which have been subject to a full scope audit or specific audit procedures.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group operates through a number of legal entities, which form reporting components, consistent with the segmental analysis as disclosed in Note 3 to the financial statements. Technical Services, Business Services, Central Government & Defence, Communities, and Corporate Centre were considered to be significant components subject to full scope audits.

Specialist Services (incorporating Landscapes, Waste, Care & Custody and Spanish entities) was considered to be a non-significant component, where we performed specific audit procedures on discrete financial statement areas that we considered presented risks of material misstatement to the Group financial statements. The remaining areas were subject to desktop review procedures.

BDO LLP, through either the Group audit team or component audit teams completed all audits and desktop review procedures.

Our involvement with component auditors
For the work performed by component auditors, the Group audit team determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole.

Our involvement with component auditors included the following:

- Issue of detailed Group reporting instructions, which included the significant areas to be covered by their audit (including applicable key audit matters as detailed below), materiality levels, and matters relating to irregularities and fraud. The instructions also set out the information required to be reported to the Group audit team;
- Regular communication with the component auditors throughout the planning, execution and completion phases of the audit;
- Members of the Group audit team attended the key meetings and had detailed discussions with the component auditors and component management throughout the audit process in respect of significant risk areas; and
- Review of their working papers with additional challenge and specific work requests to ensure alignment with conclusions drawn.

Independent auditor's report to the members of Mitie Group plc

continued

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
Revenue recognition in respect of new and modified contracts and cut-off of accrued income The accounting policies and critical judgements applied are disclosed in Notes 1 and 2.	We completed the following audit procedures: - Tested a sample of new and modified contracts in the year by evaluating Management's IFRS 15 <i>Revenue from Contracts with Customers</i> contract assessments, testing details to contracts and invoices, and assessing that the related revenue recognition was in accordance with the requirements of applicable accounting standards. - Tested a sample of accrued income balances at the year end to supporting documentation to confirm whether the revenue has been recognised in the appropriate period, with procedures including: verifying contractual terms, agreeing to proof and timing of service delivery, confirming customer acceptance and subsequent invoicing, reviewing relevant customer correspondence regarding the specific accrued income balances. Key observations: We found that new and modified contracts were being accounted for in accordance with the requirements of the applicable accounting standards and that the recognition and measurement of revenue in the year was appropriate. We are satisfied that revenue was recognised in the appropriate period in respect of accrued income.
Accounting for the acquisition of the Interserve subsidiaries The accounting policies and critical judgements applied are disclosed in Notes 1 and 2. The acquisition balances are disclosed in Note 30. The completion accounts adjustment following the Expert Determination decision is disclosed in Note 4.	We completed the following audit procedures: - Obtained an understanding of the measurement period adjustments recorded on the acquisition balance sheet and agreed the significant adjustments to supporting documentation, including consideration of whether these would be permissible adjustments under the SPA. - Challenged Management with regards to the completeness of the measurement period adjustments recorded based on our knowledge and understanding of the acquired business, and of information arising in the measurement period. - Reviewed the Expert Determination report and evaluated the Expert's reasoning for their decision on each disputed item in light of the terms of the SPA. - Reviewed Management's assessment of the Expert Determination and evaluated their rationale in light of the conclusions reached by the Expert. - Engaged with our internal Dispute Resolution specialists in assessing the reasonableness of Mitie's submission to the Expert Determination process. - Vouched the final settlement with the Seller to a formal agreement and verified the cost recorded in the Income Statement. Key observations: We found Management's original assessment of consideration at the close of the IFRS 3 <i>Business Combinations</i> measurement period to be supportable and in accordance with applicable accounting standards.

Key audit matter	How the scope of our audit addressed the key audit matter
Onerous contract and claims provisions (within the acquired Interserve subsidiaries) The accounting policies and critical judgements applied are disclosed in Notes 1 and 2. Provisions are disclosed in Note 21.	We completed the following audit procedures in relation to onerous contract provisions: ➊ Assessed the completeness of onerous contract provisions through review of a sample of contracts to assess contract performance and identify any loss-making or potentially loss-making contracts for which a provision had not been considered. ➋ Challenged Management on the appropriateness of the initiatives within the onerous contract provision assessments which otherwise reduce the provision. ➌ Obtained an understanding of, and challenged, Management's assumptions used within the calculations. This included considering whether initiatives were within the Group's contractual ability to implement, the ability to reasonably assess their financial impact, and the rationale on forecast timing of implementation. ➍ For the population of onerous contracts, we reviewed actual results for each contract for the period against forecast for the same period. ➎ Evaluated the sensitivity analysis prepared by Management and performed our own sensitivity calculations to assess the appropriateness of the provisions recorded. ➏ Reviewed the adequacy of the Group's disclosures in respect of this area and its compliance with the requirements of the accounting standards. We completed the following audit procedures in relation to the potential claims provisions: ➐ Obtained an understanding of each matter through discussion with senior management and the Group's internal legal counsel. ➑ Reviewed relevant communications with third parties where available. ➒ In respect of potential claims, reviewed reports issued by experts engaged by Management and challenged assumptions used within them. ➓ Considered the competence and independence of the experts engaged by Management, and developed independent ranges for each provision to consider the individual and aggregate differences between those and Management's positions. ➔ Reviewed the adequacy of the Group's disclosures in respect of this area and its compliance with the requirements of the accounting standards. Key observations: We found that the judgements made by Management in assessing the onerous contracts and claims provisions are appropriate and the amounts recorded by Management are within a reasonable range. Furthermore, we consider the disclosures around these matters to be appropriate.

Independent auditor's report to the members of Mitie Group plc continued

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

Group financial statements			Parent company	
	2022 £m	2021 £m	2022 £m	2021 £m
Materiality	6.4	3.8	4.4	2.7
Basis for determining materiality	5% of continuing profit before tax and non-recurring Other Items	5% of continuing 3-year normalised average profit before tax and Other Items	70% of group materiality	
Rationale for the benchmark applied	We consider this to be the most appropriate threshold since this removes the impact of certain one-off or exceptional items on the underlying profit of the Group and is also a key measure for stakeholders based on market practice and investor expectations.	We consider the use of a 3-year average to be the most appropriate benchmark given the impact of COVID-19 on profits and also the impact of the Interserve acquisition. Using profit before other items and tax removes the impact of certain one-off or exceptional items and is also a key measure for stakeholders based on market practice and investor expectations.	The Parent Company does not trade and materiality was set at a percentage of Group materiality.	
Performance materiality	4.4	2.5	2.4	1.7
Basis for determining performance materiality	70% of Materiality			
Rationale for benchmark applied	The level of performance materiality was set after considering a number of factors including significant transactions in the year, the expected value of known and likely misstatements, and management's attitude towards proposed misstatements.			

Component materiality

We set materiality for each component of the Group based on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £1.25m to £5.4m (2021: £1m to £2.5m). In the audit of each component, we further applied performance materiality levels of 65%-70% (2021: 65%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £224k (2021: £133k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

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

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	➊ The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 136; and ➋ The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 83.
Other Code provisions	➌ Directors' statement on fair, balanced and understandable set out on page 114; ➍ Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 66; ➎ The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 66; and ➏ The section describing the work of the audit committee set out on page 109.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: ➊ the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and ➋ the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: ➊ adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or ➋ the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or ➌ certain disclosures of Directors' remuneration specified by law are not made; or ➍ we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities within the Directors' report set out on page 136, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report to the members of Mitie Group plc continued

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

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

- ➊ We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, through discussion with management and the Audit Committee and our knowledge of the industry. We focussed on significant laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006, the UK Listing Rules, UK-adopted International Accounting Standards, Health and Safety, the Bribery Act 2010 and tax legislations.
- ➋ We considered compliance with these laws and regulations through discussions with Management, in-house legal counsel, external legal counsel, the company secretary, and the Audit Committee. Our procedures also included reviewing minutes from Board and Audit Committee meetings, and reviewing internal audit reports to identify any instances of non-compliance with laws and regulations.
- ➌ We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur. In addressing the risk of fraud including management override of controls and improper revenue recognition, we tested the appropriateness of journal entries made throughout the year by applying specific criteria.
- ➍ We performed a detailed review of the Group's year end adjusting entries and journals throughout the year, investigated any that appeared unusual as to nature or amount; assessed whether the judgements made in accounting estimates were indicative of a potential bias and tested the application of cut-off and revenue recognition (refer to Appropriateness of revenue recognition KAM).
- ➎ We identified areas at risk of management bias and reviewed key estimates and judgements applied by Management in the financial statements to assess their appropriateness (refer to Accounting for the acquisition of the Interserve subsidiaries and Onerous contracts and claims provisions KAMs).

- ➏ We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and component auditors, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- ➐ We performed additional specific procedures in respect of frauds reported in the period and in respect of issues that may have an adverse bearing on the internal control environment around fraud.

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

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

Use of our report

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

DocuSigned by:

Scott McNaughton

SCOTT McNaughton
(Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor

London, UK

9 June 2022

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

Consolidated income statement

For the year ended 31 March 2022

		2022			Restated ^{1,2} 2021		
	Notes	Before other items £m	Other items ³ £m	Total £m	Before other items £m	Other items ³ £m	Total £m
Continuing operations							
Revenue including share of joint ventures and associates		3,996.8	–	3,996.8	2,528.8	–	2,528.8
Less: share of revenue of joint ventures and associates	15	(93.5)	–	(93.5)	(29.8)	–	(29.8)
Group revenue	3	3,903.3	–	3,903.3	2,499.0	–	2,499.0
Cost of sales		(3,451.5)	–	(3,451.5)	(2,222.7)	–	(2,222.7)
Gross profit		451.8	–	451.8	276.3	–	276.3
Administrative expenses		(291.5)	(102.2)	(393.7)	(219.4)	(53.6)	(273.0)
Other income		–	9.8	9.8	–	–	–
Share of profit/(loss) of joint ventures and associates	15	6.6	(2.4)	4.2	1.9	(1.2)	0.7
Operating profit/(loss)⁴	3, 6	166.9	(94.8)	72.1	58.8	(54.8)	4.0
Finance income		0.2	–	0.2	0.5	–	0.5
Finance costs	8	(20.0)	–	(20.0)	(18.2)	–	(18.2)
Net finance costs		(19.8)	–	(19.8)	(17.7)	–	(17.7)
Profit/(loss) before tax		147.1	(94.8)	52.3	41.1	(54.8)	(13.7)
Tax	9	(19.0)	(2.0)	(21.0)	(7.9)	7.5	(0.4)
Profit/(loss) from continuing operations after tax		128.1	(96.8)	31.3	33.2	(47.3)	(14.1)
Discontinued operations							
Profit from discontinued operations before tax	5	3.0	17.0	20.0	5.4	2.9	8.3
Tax	9	(0.6)	–	(0.6)	(0.7)	(0.4)	(1.1)
Profit from discontinued operations after tax	5	2.4	17.0	19.4	4.7	2.5	7.2
Profit/(loss) for the year attributable to owners of the parent		130.5	(79.8)	50.7	37.9	(44.8)	(6.9)
Earnings/(loss) per share (EPS) attributable to owners of the parent							
From continuing operations:							
Basic	11	9.2p		2.2p	3.1p		(1.3)p
Diluted	11	8.3p		2.0p	3.1p		(1.3)p
Total Group:							
Basic	11	9.4p		3.6p	3.5p		(0.6)p
Diluted	11	8.5p		3.3p	3.5p		(0.6)p

Notes:

- The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations for the year ended 31 March 2021 have been re-presented within discontinued operations. Refer to Note 5.
- The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for Software as a Service (SaaS) arrangements as a result of the International Financial Reporting Interpretations Committee (IFRIC) agenda decision. Refer to Note 1.
- Other items are as described in Note 4.
- Including net impairment losses on trade receivables and accrued income of £0.8m (2021: £6.2m).

Consolidated statement of comprehensive income

For the year ended 31 March 2022

	Notes	2022 £m	Restated ¹ 2021 £m
Profit/(loss) for the year		50.7	(6.9)
Items that will not be reclassified to profit or loss in subsequent years			
Remeasurement of net defined benefit pension liabilities	32	22.1	(5.4)
Share of other comprehensive income of joint ventures	15	0.7	0.4
Tax (charge)/credit relating to items that will not be reclassified to profit or loss in subsequent years	9	(3.8)	1.0
		19.0	(4.0)
Items that may be reclassified to profit or loss in subsequent years			
Exchange differences on translation of foreign operations		0.1	(0.9)
Net losses on cash flow hedges taken to equity ²		(0.5)	(1.1)
Tax credit relating to items that may be reclassified to profit or loss in subsequent years	9	0.1	0.1
		(0.3)	(1.9)
Other comprehensive income/(expense) for the year		18.7	(5.9)
Total comprehensive income/(expense) for the year attributable to owners of the parent		69.4	(12.8)

Notes:

1. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
2. Net losses on cash flow hedges taken to equity include fair value gains of £5.1m (2021: £13.7m losses) on derivative financial instruments used for hedging private placement notes (see Note 25). These gains are netted against reclassifications related to foreign exchange losses on private placement notes of £5.6m (2021: £12.6m gains).

Consolidated balance sheet

As at 31 March 2022

	Notes	2022 £m	Restated ¹ 2021 £m	Restated ¹ 2020 £m
Non-current assets				
Goodwill	12	301.3	294.8	278.9
Other intangible assets	13	258.9	261.0	44.9
Property, plant and equipment	14	143.9	117.9	110.8
Interests in joint ventures and associates	15	11.9	11.0	–
Derivative financial instruments	25	–	14.6	28.0
Other receivables	16	7.8	8.3	3.3
Contract assets	17	1.6	2.4	3.2
Retirement benefit assets	32	1.6	3.0	–
Deferred tax assets	22	11.1	22.3	32.6
Total non-current assets		738.1	735.3	501.7
Current assets				
Inventories	18	11.9	12.7	4.8
Trade and other receivables	16	704.0	678.8	414.6
Contract assets	17	1.6	1.5	1.6
Derivative financial instruments	25	19.6	–	0.2
Current tax receivable		1.0	4.4	2.1
Cash and cash equivalents	23	345.2	196.2	139.5
Total current assets		1,083.3	893.6	562.8
Total assets		1,821.4	1,628.9	1,064.5
Current liabilities				
Trade and other payables	19	(841.2)	(701.8)	(513.4)
Deferred income	20	(83.5)	(84.8)	(35.9)
Current tax payable		(4.1)	(3.8)	–
Financing liabilities	24	(171.1)	(28.7)	(24.3)
Provisions	21	(54.7)	(55.5)	(41.4)
Total current liabilities		(1,154.6)	(874.6)	(615.0)
Net current (liabilities)/assets		(71.3)	19.0	(52.2)
Non-current liabilities				
Trade and other payables	19	(2.8)	(0.5)	(0.3)
Deferred income	20	(32.6)	(30.1)	(15.6)
Financing liabilities	24	(129.5)	(250.1)	(296.4)
Provisions	21	(62.3)	(68.1)	(11.8)
Retirement benefit liabilities	32	(13.8)	(45.5)	(46.7)
Deferred tax liabilities	22	–	(2.5)	(2.9)
Total non-current liabilities		(241.0)	(396.8)	(373.7)
Total liabilities		(1,395.6)	(1,271.4)	(988.7)
Net assets		425.8	357.5	75.8

Note:

1. The comparatives as at 31 March 2021 and 31 March 2020 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision (refer to Note 1) and the comparatives as at 31 March 2021 have also been restated for measurement period adjustments in respect of the Interserve acquisition (refer to Note 2, Note 22 and Note 30).

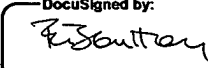
Consolidated balance sheet continued
As at 31 March 2022

	Notes	2022 £m	Restated ¹ 2021 £m	Restated ¹ 2020 £m
Equity				
Share capital	28	35.7	35.6	9.3
Share premium	28	130.6	130.6	130.6
Merger reserve	29	358.6	358.6	99.9
Own shares reserve	29	(36.9)	(28.8)	(34.2)
Other reserves ²	29	28.4	14.5	9.5
Hedging and translation reserve	29	(2.6)	(2.3)	(0.4)
Retained losses		(88.0)	(150.7)	(138.9)
Equity attributable to owners of the parent		425.8	357.5	75.8

Notes:

1. The comparatives as at 31 March 2021 and 31 March 2020 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
2. Other reserves include the share-based payments reserve and the capital redemption reserve. Refer to Note 29.

The consolidated financial statements of Mitie Group plc, company registration number SC019230, were approved by the Board of Directors and authorised for issue on 9 June 2022. They were signed on its behalf by:

DocuSigned by:

FEBAD03DFBE54E5...
Phil Bentley
Chief Executive Officer

DocuSigned by:

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Simon Kirkpatrick
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 March 2022

	Share capital £m	Share premium £m	Merger reserve £m	Own shares reserve £m	Other reserves ¹ £m	Hedging and translation reserve £m	Retained losses ² £m	Restated ² Total equity £m
At 1 April 2020 ²	9.3	130.6	99.9	(34.2)	9.5	(0.4)	(138.9)	75.8
Loss for the year ²	–	–	–	–	–	–	(6.9)	(6.9)
Other comprehensive expense	–	–	–	–	–	(1.9)	(4.0)	(5.9)
Total comprehensive expense²	–	–	–	–	–	(1.9)	(10.9)	(12.8)
Transactions with owners								
Issue of shares ³	26.3	–	261.7	–	–	–	–	288.0
Rights issue expenses ⁴	–	–	(3.0)	–	–	–	–	(3.0)
Share-based payments	–	–	–	5.4	5.0	–	(0.9)	9.5
Total transactions with owners	26.3	–	258.7	5.4	5.0	–	(0.9)	294.5
At 31 March 2021²	35.6	130.6	358.6	(28.8)	14.5	(2.3)	(150.7)	357.5
At 1 April 2021 ²	35.6	130.6	358.6	(28.8)	14.5	(2.3)	(150.7)	357.5
Profit for the year	–	–	–	–	–	–	50.7	50.7
Other comprehensive income	–	–	–	–	–	(0.3)	19.0	18.7
Total comprehensive income	–	–	–	–	–	(0.3)	69.7	69.4
Transactions with owners								
Dividends paid	–	–	–	–	–	–	(5.7)	(5.7)
Issue of shares	0.1	–	–	(0.1)	–	–	–	–
Purchase of own shares	–	–	–	(13.8)	–	–	–	(13.8)
Share-based payments	–	–	–	5.8	13.9	–	(1.1)	18.6
Tax on share-based payments	–	–	–	–	–	–	(0.2)	(0.2)
Total transactions with owners	0.1	–	–	(8.1)	13.9	–	(7.0)	(1.1)
At 31 March 2022	35.7	130.6	358.6	(36.9)	28.4	(2.6)	(88.0)	425.8

Notes:

1. Other reserves include the share-based payments reserve and the capital redemption reserve. Refer to Note 29.
2. The comparatives for the year ended 31 March 2021 and as at 1 April 2020 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
3. As part of the consideration for Interserve acquisition, 248.4 million shares were issued during the year ended 31 March 2021 with a premium of £88.4m arising (see Note 30). In addition, 805.1 million shares were issued during the year ended 31 March 2021 with a premium of £173.3m arising in connection with the rights issue which utilised a cash box structure (see Note 33). These share issues qualified for merger relief under Section 612 of the Companies Act 2006, so that the total premium arising of £261.7m was not required to be credited to share premium.
4. Under the cash box structure, the Group received £193.4m from the rights issue, after deduction of issue costs of £79m. The remaining £3.0m of rights issue expenses were paid by the Group (see Note 33).

Consolidated statement of cash flows

For the year ended 31 March 2022

	Notes	2022 £m	Restated ¹ 2021 £m
Continuing operations – operating profit before other items ²	3	166.9	58.8
Continuing operations – other items ²	4	(94.8)	(54.8)
Discontinued operations – operating profit after other items ²	5	19.9	8.0
Adjustments for:			
Share-based payments expense	31	18.6	9.5
Defined benefit pension costs	32	4.4	2.0
Defined benefit pension contributions	32	(14.2)	(12.2)
Depreciation of property, plant and equipment	14, 26	41.6	34.4
Amortisation of intangible assets	13	27.2	16.1
Amortisation of customer contracts and relationships for joint ventures arising on business combinations	15	2.4	1.2
Share of profit of joint ventures and associates	15	(6.6)	(1.9)
Amortisation of contract assets	17	1.7	1.7
Impairment of non-current assets	13, 14, 26	3.7	13.7
Loss on disposal of property, plant and equipment		0.5	–
Gain on disposal of businesses	5	(13.0)	(1.2)
Interserve completion accounts adjustment	30	45.6	–
Operating cash flows before movements in working capital		203.9	75.3
Decrease/(increase) in inventories		0.9	(1.7)
Increase in receivables		(66.0)	(4.3)
Increase in contract assets		(1.0)	(0.8)
(Decrease)/increase in deferred income		(2.6)	6.7
Increase/(decrease) in payables		135.9	(34.9)
Decrease in provisions		(7.2)	(1.4)
Cash generated from operations		263.9	38.9
Income taxes paid		(16.2)	(1.0)
Interest paid		(17.5)	(15.9)
Net cash generated from operating activities		230.2	22.0
Investing activities			
Acquisition of businesses, net of cash acquired ³	30	(24.9)	(64.6)
Disposal of businesses, net of cash disposed	5	29.9	–
Interest received		0.3	0.8
Purchase of property, plant and equipment	14	(15.4)	(7.6)
Dividends received from joint ventures and associates	15	4.0	0.8
Purchase of other intangible assets	13	(20.2)	(14.1)
Disposal of property, plant and equipment		0.4	1.0
Net cash used in investing activities		(25.9)	(83.7)

Notes:

- The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
- The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations are re-presented within discontinued operations. Operating profit after Other items from discontinued operations comprises profit before net finance income and tax of £6.9m (2021 restated: £6.8m) and gain on disposal before tax of £13.0m (2021: £1.2m). Refer to Note 5.
- Acquisition of businesses is net of cash acquired of £4.8m (2021: £40.4m). Refer to Note 30.

Consolidated statement of cash flows continued

For the year ended 31 March 2022

	Notes	2022 £m	2021 £m
Financing activities			
Proceeds from issue of ordinary shares	33	–	193.4
Purchase of own shares	29	(13.8)	–
Rights issue expenses paid	33	–	(3.0)
Capital element of lease rentals	26	(33.9)	(28.1)
Repayment of bank loans		–	(40.5)
Payment of arrangement fees		(1.7)	(2.8)
Equity dividends paid	10	(5.7)	–
Net cash (used in)/generated from financing activities		(55.1)	119.0
Net increase in cash and cash equivalents		149.2	57.3
Net cash and cash equivalents at beginning of the year		196.2	139.5
Effect of foreign exchange rate changes		(0.2)	(0.6)
Net cash and cash equivalents at end of the year	23	345.2	196.2

The above statement of consolidated cash flows includes cash flows from both continuing and discontinued operations. Further details of the cash flows relating to discontinued operations are shown in Note 5.

	Notes	2022 £m	2021 £m
Reconciliation of net cash flow to movements in net debt			
Net increase in cash and cash equivalents		149.2	57.3
Increase in restricted cash and cash held on trust ¹		(18.8)	(18.7)
Net increase in unrestricted cash and cash equivalents		130.4	38.6
Cash drivers			
Repayment of bank loans		–	40.5
Payment of arrangement fees		1.7	2.8
Capital element of lease rentals		33.9	28.1
Non-cash drivers			
Non-cash movement in bank loans		(2.0)	(1.1)
Non-cash movement in private placement notes and associated hedges		(0.7)	(1.1)
Non-cash movement in lease liabilities ²		(49.6)	(41.1)
Effect of foreign exchange rate changes		(0.3)	(0.4)
Decrease in net debt during the year		113.4	66.3
Opening net debt		(86.7)	(153.0)
Closing net cash/(debt)	27	26.7	(86.7)

Notes:

- As at 31 March 2022, £20.0m cash (2021: £nil) was held across the Group's bank accounts in respect of the CID facility, where cash collected from the Group's customers was held on trust for the CID facility provider. This cash was subsequently remitted to the CID facility provider by 5 April 2022.
- Included within the non-cash movement in lease liabilities is £0.7m (2021: £14.2m) of lease liabilities arising on acquisition of businesses and £1.5m (2021: £nil) of lease liabilities on business disposals. See Notes 26 and 30.

Notes to the consolidated financial statements

For the year ended 31 March 2022

I. Basis of preparation and significant accounting policies

(a) Basis of preparation

Mitie Group plc (the Company) is a company incorporated in the United Kingdom and registered in Scotland. It was incorporated on 16 July 1936 under the Companies Act 1929. The Company's registered office is at 35 Duchess Road, Rutherglen, Glasgow, G73 1AU. The Group comprises the Company and all its subsidiaries. The Group's consolidated financial statements are presented in pounds sterling, which is the Company's functional and presentational currency. All amounts have been rounded to the nearest one hundred thousand pounds, unless otherwise indicated.

The Group's principal activities are focused on the provision of strategic outsourcing, including the management and provision of business support services and ancillary activities.

The Group's consolidated financial statements for the year ended 31 March 2022 have been prepared in accordance with UK-adopted International Accounting Standards.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted International Accounting Standards in its consolidated financial statements for the year ended 31 March 2021. This change constituted a change in accounting framework. However, there was no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The Group's financial statements have been prepared on the historical cost basis, except for certain financial instruments which are required to be measured at fair value.

Going concern

The financial statements for the year ended 31 March 2022 have been prepared on a going concern basis. In adopting the going concern basis, the Directors have considered the Group's business activities as set out on pages 4 to 65 of the 2022 Annual Report and Accounts, the principal risks and uncertainties as set out on pages 66 to 77 and the viability statement on pages 83 to 84 of the same.

The Directors have carried out an assessment of the Group's and the Company's ability to continue as a going concern for the period of at least 12 months from the date of approval of the financial statements (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 Board approved budget. These Base Case Forecasts indicate that the debt facilities currently in place are adequate to support the Group and the Company over the Going Concern Assessment Period.

The Group's principal debt financing arrangements as at 31 March 2022 were a £150m revolving credit facility, of which £141.5m was undrawn as at 31 March 2022, and £151.5m of US private placement (USPP) notes (being the repayment amount after taking account of the cross-currency swaps hedging the principal amount), of which £121.5m are due to mature in December 2022. The revolving credit facility was put in place in October 2021, maturing in October 2025 (with an option to extend for a further year, subject to lenders' approval), on significantly more favourable terms than the previous facility. These financing arrangements are subject to certain financial covenants which are tested every six months on a rolling 12-month basis, as set out in the Finance review on pages 59 to 63.

The issue of £120.0m of new USPP notes has also been agreed, under a delayed funding arrangement in December 2022, avoiding any overlap with the existing £121.5m of notes that mature in the same month. The new notes are split equally between 8, 10 and 12 year maturities, and will be issued with an average coupon that is significantly below the current coupon. The remaining £30m of USPP notes are due to mature in December 2024, which is outside of the Going Concern Assessment Period.

Mitie currently operates within the terms of its agreements with its lenders, with consolidated net cash (i.e. net cash adjusted for covenant purposes, with appropriate adjustments for leases) of £147.7m at 31 March 2022. The Base Case Forecasts indicate that the Group will continue to operate within these terms and that the headroom provided by the Group's strong cash position and the debt facilities currently in place is adequate to support the Group over the Going Concern Assessment Period.

The Directors have also completed a reverse stress test 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 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 potential further impact of COVID-19, as well as the potential impact of the Russian invasion of Ukraine:

- ➊ 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;
- ➋ A deterioration of gross margin: this reflects the risks of contracts being renegotiated at lower margins, or planned cost savings not being delivered;
- ➌ An increase in costs: this reflects the risks of a shortfall in planned overhead cost savings, including the margin enhancement initiatives not being delivered, or other cost increases such as sustained higher cost inflation; and
- ➍ 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.

I. Basis of preparation and significant accounting policies continued

As a result of completing this assessment, the Directors concluded that the likelihood of the reverse stress scenarios arising was remote. In reaching the conclusion of remote, the Directors 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 34% in the year ending 31 March 2023, compared to the Base Case Forecasts, that are based on mid-single digit underlying revenue growth (which excludes COVID related revenues). A 34% decline in revenue is considered to be very severe given the high proportion of Mitie's revenue that is fixed in nature and the fact that even in a COVID-hit year, Mitie's revenue excluding Interserve declined by only 1.6%.
- 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 reverse 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 have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for a period of no less than 12 months from the date of approval of these consolidated financial statements. In addition, the Directors have concluded that the likelihood of the reverse stress scenarios arising is remote and therefore no material uncertainty exists.

Accounting standards that are newly effective in the current year

The following amendments became effective during the year ended 31 March 2022:

Interest Rate Benchmark Reform Phase 2 (IBOR) amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 were issued by the IASB in August 2020 to provide practical expedients and reliefs in relation to modifications of financial instruments and leases that arise from the transition from IBOR to an alternative benchmark rate. Phase 2 also provides further reliefs to hedge accounting requirements. These amendments were effective for the Group from 1 April 2021.

The impact of IBOR reform on the Group is not material.

IFRS 16 COVID-19 Related Rent Concessions

On 28 May 2020, the IASB issued COVID-19 Related Rent Concessions amendments to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic.

The Group has not received COVID-19 related rent concessions during the year and therefore these amendments do not impact the Group.

Accounting standards that are not yet mandatory and have not been applied by the Group

On 14 May 2020, the IASB published amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The changes specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. The amendments are effective for annual periods beginning on or after 1 January 2022 and will be effective for the Group for the year ending 31 March 2023. The Group is currently in the process of assessing the impact of this amendment.

(b) Accounting policy change

During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software as a Service (SaaS) arrangements in response to the International Financial Reporting Interpretations Committee (IFRIC) agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy is presented below.

SaaS arrangements are service contracts providing the Group with the right to access the provider's cloud-based application software over the contract period. Previously, Mitie's accounting policy was to capitalise the upfront configuration and customisation costs in implementing SaaS arrangements and to subsequently amortise them over their useful economic life.

In response to the clarification provided by the IFRIC agenda decision, Mitie has changed its accounting policy such that distinct upfront configuration and customisation costs incurred in implementing SaaS arrangements are recognised as operating expenses when the services are received. Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis.

The change in accounting policy has been accounted for retrospectively and, accordingly, the comparative information for 31 March 2021 and 1 April 2020 have been restated as summarised below.

Notes to the consolidated financial statements continued

For the year ended 31 March 2022

I. Basis of preparation and significant accounting policies continued

Impact on consolidated income statement and statement of comprehensive income

	For the year ended 31 March 2021			
	As reported £m	Impact of changes in accounting policy £m	Discontinued operations restatement ¹ £m	As restated £m
Group revenue from continuing operations	2,559.5	–	(60.5)	2,499.0
Cost of sales	(2,274.9)	–	52.2	(2,222.7)
Gross profit from continuing operations	284.6	–	(8.3)	276.3
Administrative expenses	(277.0)	0.5	3.5	(273.0)
Share of profit of joint ventures and associates	0.7	–	–	0.7
Total operating profit from continuing operations	8.3	0.5	(4.8)	4.0
Net finance costs	(17.4)	–	(0.3)	(17.7)
Loss from continuing operations before tax	(9.1)	0.5	(5.1)	(13.7)
Tax	(1.0)	(0.1)	0.7	(0.4)
Loss from continuing operations after tax	(10.1)	0.4	(4.4)	(14.1)
Profit from discontinued operations after tax	2.8	–	4.4	7.2
Loss for the year attributable to owners of the parent	(7.3)	0.4	–	(6.9)
Total comprehensive expense for the year attributable to owners of the parent	(13.2)	0.4	–	(12.8)

Note:

1. The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations are re-presented within discontinued operations. Refer to Note 5.

Impact on earnings per share

	For the year ended 31 March 2021			
	As reported	Impact of changes in accounting policy	Discontinued operations restatement ¹	As restated
Pence per share				
From continuing operations				
Basic loss per share	(0.9)p	(0.0)p	(0.4)p	(1.3)p
Diluted loss per share	(0.9)p	(0.0)p	(0.4)p	(1.3)p
Total Group				
Basic loss per share	(0.6)p	(0.0)p	(0.0)p	(0.6)p
Diluted loss per share	(0.6)p	(0.0)p	(0.0)p	(0.6)p

Note:

1. The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations are re-presented within discontinued operations. Refer to Note 5.

Impact on the consolidated balance sheet

	31 March 2021			1 April 2020		
	As reported £m	Impact of changes in accounting policy £m	As restated £m	As reported £m	Impact of changes in accounting policy £m	As restated £m
Other intangible assets	266.2	(5.2)	261.0	50.6	(5.7)	44.9
Current tax receivable	3.5	0.9	4.4	1.1	1.0	2.1
Net assets	361.8	(4.3)	357.5	80.5	(4.7)	75.8
Retained losses	(146.4)	(4.3)	(150.7)	(134.2)	(4.7)	(138.9)
Equity attributable to owners of the parent	361.8	(4.3)	357.5	80.5	(4.7)	75.8

I. Basis of preparation and significant accounting policies continued

Impact on consolidated statement of cash flows

	For the year ended 31 March 2021		
	As reported £m	Impact of changes in accounting policy £m	As restated £m
Operating profit	11.5	0.5	12.0
Amortisation of intangible assets	17.5	(1.4)	16.1
Operating cash flows before movements in working capital	76.2	(0.9)	75.3
Cash generated from operations	39.8	(0.9)	38.9
Net cash generated from operating activities	22.9	(0.9)	22.0
Purchase of other intangible assets	(15.0)	0.9	(14.1)
Net cash (used in)/generated from investing activities	(84.6)	0.9	(83.7)
Cash and cash equivalents	196.2	–	196.2

(c) Significant accounting policies

The significant accounting policies adopted in the preparation of the Group's IFRS financial information are set out below.

Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of Mitie Group plc and all its subsidiaries. The Company's separate financial statements are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 issued by the Financial Reporting Council (FRC). Accordingly, for the year ended 31 March 2022, the Company reported under FRS 101 as issued by the FRC. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard.

In preparing these Group consolidated financial statements, the Group's accounting policies and methods of computation were, with the exception of the change in the accounting policy referred to above, the same as those that applied in the preparation of the Group's consolidated financial statements for the year ended 31 March 2021, which were prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The results, assets and liabilities of joint ventures and associates are accounted for under the equity method of accounting. Where necessary, adjustments are made to the financial statements of subsidiaries, joint ventures and associates to bring the accounting policies used into line with those used by the Group.

All inter-company balances and transactions, including unrealised profits arising from inter-group transactions, have been eliminated in full.

Interests of non-controlling interest shareholders are measured at the non-controlling interest's proportion of the net fair value of the assets and liabilities recognised. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for within shareholders' equity. No gain or loss is recognised on such transactions and goodwill is not remeasured. Any difference between the change in the non-controlling interest and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the parent.

Joint ventures and associates

Joint ventures are those entities over whose activities the Group has joint control, whereby the Group has rights to the net assets of the entity, rather than rights to its individual assets and obligations for its individual liabilities.

Associates are those entities over whose financial and operating policies the Group has significant influence, but not control or joint control.

The results, assets and liabilities of joint ventures and associates are incorporated in the Group's financial statements using the equity method of accounting except when classified as held for sale.

Under the equity method, an investment in a joint venture or associate is initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture or associate. Any excess of the cost of acquisition over the Group's share of net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture or associate at the date of acquisition is recognised as goodwill. Where the Group entity transacts with a joint venture or associate, profits and losses are eliminated to the extent of the Group's interest in the joint venture or associate.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control have the right to the assets, and obligations for the liabilities, relating to the arrangement or other facts and circumstances indicate that is the case. The Group's share of the results, assets and liabilities of contracts carried out in joint operations with another party are included under each relevant heading in the consolidated income statement and consolidated balance sheet.

Notes to the consolidated financial statements continued

For the year ended 31 March 2022

I. Basis of preparation and significant accounting policies continued

Statutory and non-statutory measures of performance

The financial statements contain all the information and disclosures required by the relevant accounting standards and regulatory obligations that apply to the Group.

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

Other items are items of financial performance which management believes should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group. The Group separately reports impairment of goodwill, impairment and amortisation of acquisition related intangible assets, acquisition and disposal costs, gain or loss on business disposals, cost of restructuring programmes and other exceptional items and their related tax effect as Other items. Should these items be reversed, disclosure of this would also be as Other items.

Separate presentation of these items is intended to enhance understanding of the financial performance of the Group in the year and the extent to which results are influenced by material unusual and/or non-recurring items. Further detail of Other items is set out in Note 4.

In addition, following the guidelines on Alternative Performance Measures (APMs) issued by the European Securities and Markets Authority (ESMA), the Group has included an APM appendix to the financial statements on pages 220 to 223.

Revenue recognition policy

The Group 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 year based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

IFRS 15 provides a single, principle-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 Group 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 Group 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 duration of the contract. Judgement is applied to assess the impact that such clauses have in determining the relevant contract term. The term of the contract affects the period over which amortisation of contract assets and revenue from performance obligations is recognised. 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

Where the Group's contracts are amended for changes to customer requirements, such as change orders and variations, 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, change to the total transaction price is estimated.

Contract modifications, including contract renewals, 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 stand-alone selling price of the distinct goods or services. If the price of additional distinct goods or services is not commensurate with the stand-alone selling prices for those goods or services, then this is considered a termination of the original contract and the creation of a new contract which is accounted for prospectively from the date of modification. Where new goods or services are not distinct from those in the original contract, then these are considered to form part of the original contract with any update to pricing recognised as a cumulative catch up to revenue. 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 Group to transfer distinct goods or services to a customer. For arrangements with multiple components to be delivered to customers such as in the Group's integrated facilities management contracts, judgement is applied 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 Group treats the series as a single performance obligation.

I. Basis of preparation and significant accounting policies continued

Step 3 – Determine the transaction price

At contract inception, the total transaction price is determined, being the amount to which management expects the Group 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 or 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 Group 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. It is necessary to estimate the stand-alone selling price when the Group does not sell equivalent goods or services in similar circumstances on a stand-alone basis. When estimating the stand-alone selling price, the Group maximises the use of external inputs by observing the stand-alone selling prices for similar goods and services using an industry recognised price list or cost indices in applying a cost-plus reasonable margin approach.

Step 5 – Recognise revenue when or as the entity satisfies its performance obligations

For each performance obligation, management determines if revenue will be recognised over time or at a point in time. Where revenue is recognised over time, the Group applies the relevant output or input revenue recognition method for measuring progress that depicts the Group'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 Group 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 Group's efforts in delivering the service.

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

Long-term complex contracts

The Group has a number of long-term complex contracts which are predominantly integrated facilities management arrangements. Typically, these contracts involve the provision of multiple service lines, with a single management team providing an integrated service. Such contracts tend to be transformational in nature where the business works with the customer to identify and implement cost saving initiatives across the life of the contract.

Management considers the majority of services provided within integrated facilities management contracts meet the definition of a series of distinct goods or services that are substantially the same and have the same pattern of transfer over time. The series constitutes services provided in distinct time increments (e.g. monthly or quarterly) and therefore the Group treats the series of such services as one performance obligation.

The Group also delivers major project-based services under long-term complex contracts that include performance obligations under which revenue is recognised over time as value from the service is transferred to the customer. This may be where the Group has a legally enforceable right to remuneration for the work completed to date, and therefore revenue will be recognised in line with the associated transfer of control.

The Group has a number of long-term PFI lifecycle contracts to maintain properties over periods of up to 30 years. A fund is established at the start of the contract and amounts are drawn down by the Group as maintenance work is performed. For certain contracts, the Group is also entitled to share in any surplus left in the fund. Revenue is recognised over time to reflect the rendering of the service, including an assessment of the appropriate proportion of the likely surplus in the fund, subject to being highly probable not to reverse. The amount of surplus available is dependent on the rate of wear and tear of the assets, which is substantially outside the control of the entity and the customer. As such, the Group does not deem there to be a significant financing component.

Repeat service-based contracts (single and bundled contracts)

The Group 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 (e.g. the provision of cleaning, security, catering, waste and landscaping services). 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 Group therefore treats the series of such services as one performance obligation.

Short-term service-based arrangements

The Group delivers a range of other short-term service-based performance obligations and professional services work across certain reporting segments 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.

Notes to the consolidated financial statements continued

For the year ended 31 March 2022

I. Basis of preparation and significant accounting policies continued

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 Group for expenses incurred are recognised in the consolidated income statement as a deduction against the related expense for which the grant is intended to compensate, over the periods necessary to match the grant with the related costs. Any repayment of grants is charged to the consolidated income statement to reverse the deduction against the related expense, at the point when management has taken the decision to repay the amount to the Government and the intention to repay has been communicated to the Government.

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 Group 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 year.

Contract fulfilment costs

Costs incurred to ensure that the project or programme has appropriate organisational, operational and technical infrastructures, and mechanisms in place to enable the delivery of full services under the contract target operating model, are defined as contract fulfilment costs. Only costs which meet all three of the criteria below are included within contract assets on the consolidated balance sheet:

- i. the costs directly relate to the contract (e.g. direct labour, materials, subcontractors);
- ii. the Group is building an asset that will subsequently be used to deliver contract outcomes; and
- iii. the costs are expected to be recoverable, i.e. the contract is expected to be profitable after amortising the capitalised costs.

Contract fulfilment costs covered within the scope of another accounting standard, such as inventories, intangible assets, or property, plant and equipment are not capitalised as contract fulfilment assets but are treated in accordance with the other standard.

Amortisation and impairment of contract assets

The Group amortises contract assets (pre-contract costs and contract fulfilment costs) on a systematic basis that is consistent with the entity's transfer of the related goods or services to the customer. The expense is recognised in the consolidated income statement in the year.

A capitalised pre-contract cost or contract fulfilment cost is derecognised either when it is disposed of or when no further economic benefits are expected to flow from its use.

Management is required to determine the recoverability of contract related assets at each reporting date. An impairment exists if the carrying amount of any asset exceeds the amount of consideration the entity expects to receive in exchange for providing the associated goods and services, less the remaining costs that relate directly to providing those goods and services under the relevant contract. In determining the estimated amount of consideration, management uses the same principles as it does to determine the contract transaction price. An impairment is recognised immediately where such losses are forecast.

Accrued income and deferred income

The Group'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 year end date is more than amounts invoiced, the Group recognises accrued income for the difference. Where revenue recognised at the year end date is less than amounts invoiced, the Group recognises deferred income for the difference.

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 Group 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.

Foreign currency

The financial statements of each of the Group's businesses are prepared in the functional currency applicable to that business. Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated income statement for the year.

I. Basis of preparation and significant accounting policies continued

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

On consolidation, the assets and liabilities of the Group's foreign operations, including goodwill and fair value adjustments arising on their acquisition, are translated into pounds sterling at exchange rates prevailing at the balance sheet date. Income and expenses are translated into pounds sterling at average exchange rates for the period. Exchange differences arising are recognised directly in equity in the Group's hedging and translation reserve. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

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 consolidated income statement in the year in which they are incurred, with the finance charges relating to the direct cost of debt issue spread over the period to redemption using the effective interest method. The Group has elected to classify cash flows from interest paid as operating activities and interest received as investing activities. Interest paid includes the interest portion of the lease liabilities.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from accounting profit as reported in the consolidated 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. The Group'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 consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition costs incurred are expensed. The identifiable assets, liabilities and contingent liabilities of the acquiree that meet the conditions for recognition are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Negative goodwill representing a gain from a bargain purchase is recognised directly in the consolidated income statement.

Where applicable, the consideration for an acquisition includes any assets or liabilities resulting from a contingent consideration arrangement, measured at fair value at the acquisition date. Subsequent changes in such fair values are adjusted against the cost of acquisition where they result from additional information, obtained within one year from the acquisition date, about facts and circumstances that existed at the acquisition date. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are recognised in the consolidated income statement, in accordance with IFRS 9. Changes in the fair value of contingent consideration classified as equity are not recognised.

Any business combinations prior to 1 April 2010 were accounted for using the standards in place prior to the adoption of IFRS 3 (revised 2008) which differ in the following respects: transaction costs directly attributable to the acquisition formed part of the acquisition costs; contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable; and subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Notes to the consolidated financial statements continued

For the year ended 31 March 2022

1. Basis of preparation and significant accounting policies continued

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between: (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary, i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, of an investment in an associate or a joint venture.

The Group measures the lease liability for acquired leases at the present value of the remaining lease payments discounted using an appropriate discount rate. As required by IFRS 3 *Business Combinations*, the Group treats acquired leases as new leases, thereby recording the right-of-use asset as equal to the lease liability.

Acquisition related liabilities or performance-based employment-linked earnouts are the estimated amounts payable to previous owners. The estimated future payments that are accrued over the period the sellers are required to remain with the business are accounted for as remuneration for post-acquisition services and recognised within the consolidated income statement and classified as Other items. The amounts not linked to employment are considered to be deferred consideration and estimated and recognised at acquisition at their discounted fair value, with the unwind of the discount recorded as part of finance costs.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses. It is reviewed for impairment at least annually. Any impairment is recognised immediately in the consolidated income statement for the year and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

When a business reorganisation results in changes to the composition of CGUs, goodwill is reallocated to updated CGUs. The goodwill allocated to a prior CGU is wholly reallocated to an updated CGU, where the goodwill wholly arose on the acquisition of businesses comprised within the updated CGU. Where this is not possible, a relative value approach is taken to allocate goodwill to updated CGUs.

Other intangible assets

Other intangible assets identified in a business acquisition are capitalised at fair value as at the date of acquisition.

Customer contracts and relationships are amortised over their useful lives based on the period of time over which they are anticipated to generate benefits. Other acquisition related intangibles include acquired software and technology which are amortised over their useful lives.

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. Software and development expenditure includes internally generated intangible assets and is amortised over its useful life once it has been brought into use.

Upfront configuration and customisation costs incurred in implementing SaaS arrangements are recognised as operating expenses when the services are received. Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis.

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 consolidated income statement on a straight-line basis over its useful life as follows:

Customer contracts and relationships	5–15 years
Software and development expenditure	3–10 years

Property, plant and equipment

Property, plant and equipment is 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:

Land and buildings	50 years or lease term if shorter
Plant and vehicles	3–10 years

The Group 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. Where the asset does not generate cash flows that are independent from other assets, management estimates the recoverable amount of the CGU to which the asset belongs.

I. Basis of preparation and significant accounting policies continued

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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) 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 (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value and are mainly consumables in nature.

Costs represent materials, direct labour and overheads incurred in bringing the inventories to their present condition and location.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and estimated selling costs. Provision is made for obsolete, slow moving or defective items where appropriate.

Financial instruments – classification and measurement

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

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

Cash and cash equivalents include cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash where access is constrained is classified as restricted cash. All of the Group'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 Group's revenue streams are therefore initially measured at their transaction price and are subsequently remeasured at amortised cost.

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

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

Invoice discounting

The Group uses a non-recourse customer invoice discounting facility (CID facility) under which certain trade receivable balances are sold to the Group's relationship banks. The arrangement with the banks is such that the customers remit cash directly to the Group and the Group transfers the collected amounts to the banks. The trade receivables are sold without recourse to the Group, and therefore the trade receivable balance is derecognised from the Group's balance sheet at the point of sale to the bank.

Financial instruments – impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECLs) on all receivable balances from customers measured at amortised cost, using the simplified approach. Under this approach, the Group recognises a loss allowance based on lifetime ECLs at each reporting date. ECLs are calculated on the basis of historical and forward-looking data on default risk which is applied to customers with common risk characteristics such as sector type (e.g. government or non-government).

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, including cross-currency interest rate swaps and forward foreign exchange contracts, to manage the Group's exposure to financial risks associated with interest rates and foreign exchange. Derivative financial instruments are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value, determined by reference to market rates, at each balance sheet date and included as financial assets or liabilities as appropriate. The resulting gain or loss is recognised in the consolidated income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated income statement depends on the nature of the hedge relationship.

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

The Group may designate certain hedging instruments including derivatives as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. On adoption of IFRS 9, the Group elected to continue to apply the hedge accounting guidance in IAS 39 'Financial Instruments: recognition and measurement'.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Notes to the consolidated financial statements continued

For the year ended 31 March 2022

I. Basis of preparation and significant accounting policies continued

Cash flow hedges

Hedges are classified as cash flow hedges when they hedge the exposure to changes in cash flows that are attributable to a particular risk associated with either a recognised asset or liability or a forecast transaction. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in equity within the Group's translation and hedging reserve. The gain or loss relating to any ineffective portion is recognised immediately in the consolidated income statement.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the consolidated income statement in the periods when the hedged item is recognised in the consolidated income statement, in the same line as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the consolidated income statement.

Hedges of net investments in foreign operations

Hedges are classified as net investment hedges when they hedge the foreign currency exposure to changes in the Group's share in the net assets of a foreign operation. Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the Group's translation and hedging reserve. The gain or loss relating to any ineffective portion is recognised immediately in the consolidated income statement. Gains or losses on the hedging instrument relating to the effective portion of the hedge accumulated in equity are reclassified to the consolidated income statement in the same way as exchange differences relating to the foreign operation.

Leases

The Group has various lease arrangements for properties (e.g. office buildings and storage facilities), vehicles and other equipment including IT equipment and machinery. At inception of a lease contract, the Group 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 Group recognises a lease liability and a corresponding right-of-use asset with respect to all lease arrangements in which it is a lessee, except low-value leases and short-term leases of 12 months or less, costs for which are recognised as an operating expense within the consolidated income statement as they are incurred.

A right-of-use asset is capitalised on the consolidated 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 the 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.

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 the rate implicit in the lease or, where not available, the incremental borrowing rate. Lease payments made are apportioned between a capital repayment amount and an interest charge which are disclosed within the financing and operating activities sections of the consolidated statement of cash flows respectively. 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 consolidated 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 Group 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.

Provisions and contingent liabilities

Provisions have been made for contract specific costs, onerous contracts, insurance exposures, legal claims, other property related commitments including dilapidations and pension related provisions which primarily relate to Section 75 employer debt liabilities.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where management expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

I. Basis of preparation and significant accounting policies continued

Contract specific cost provisions are made when the Group expects to incur future remedial and rectification costs required to meet customers' contractual terms. Costs are estimated using either the work of external consultants or internal experts. The amount recognised as a provision represents management's best estimate and is inherently uncertain and could change materially over time. The provision is reviewed at least on a bi-annual basis for changes in cost estimate. Any change in cost estimate is recognised as a charge or a release to the provision when it occurs.

Onerous contract provisions (OCPs) arise when the unavoidable costs of meeting contractual obligations exceed the remuneration expected to be received. Unavoidable costs include total contract costs together with a rational allocation of shared costs that can be directly linked to fulfilling contractual obligations which have been systematically allocated to OCPs on the basis of key cost drivers, except where this is impracticable and contract revenue is used as a proxy for activity. The provision is calculated as the lower of the termination costs payable for an early exit and the expected net cost to fulfil the Group's unavoidable contract obligations. Where a customer has an option to extend a contract and it is likely that such an extension will be made, the expected net cost arising during the extension period is included within the calculation. However, where a profit can be reasonably expected in the extension period, no credit is taken on the basis that such profits are uncertain given the potential for the customer to either not extend or offer an extension under lower pricing terms.

The insurance reserve relates to employers' and motor and fleet liabilities retained in the Group's self-insurance arrangement. The insurance reserve includes the full estimated value of the liability gross of amounts expected to be recovered from the Group's insurer. Any related insurance reimbursement asset that is virtually certain to be received is separately presented gross within trade and other receivables on the consolidated balance sheet.

No provisions are recognised and only a disclosure in the financial statements is made for contingent liabilities. Contingent liabilities are possible obligations dependent on whether some uncertain future event occurs, or where a present obligation exists but payment is not probable, or the amount of payment cannot be measured reliably.

Contingent assets

No assets are recognised and only a disclosure in the financial statements is made for contingent assets where an inflow of economic benefits is probable but not virtually certain. Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Share-based payments

The Group operates a number of executive and employee share option schemes. Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market based vesting conditions. For grants of share options and awards, the fair value as at the date of grant is calculated using the Black-Scholes model or the share price at grant date, and the corresponding expense is recognised on a straight-line basis over the vesting period based on management's estimate of shares that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. 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.

The own shares reserve in equity includes the shares owned by the Employee Benefit Trust and Treasury shares. When shares are transferred to employees upon exercise of options and awards, the own shares reserve is reduced by the relevant cost or value.

Costs incurred on issue of equity

The Group incurred costs in the prior period in relation to the 2020 rights issue. The transaction costs of such an equity transaction are recorded as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Retirement benefit costs

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

In addition, the Group operates and participates in a number of defined benefit schemes. In respect of the schemes in which the Group makes contributions under Admitted Body status to clients' defined benefit schemes in respect of certain employees who transferred to the Group under TUPE, the Group accounts for its legal and constructive obligations over the period of its participation which is for a fixed period only.

For the defined benefit pension schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date by qualified actuaries. Actuarial gains and losses on obligations, the return on scheme assets (excluding interest) and the effect of the asset ceiling (if applicable, excluding interest) are recognised in the consolidated statement of comprehensive income in the period in which they occur.

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

The Group's net liability in respect of defined benefit schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount using the market yield on a high-quality corporate bond and deducting the fair value of any scheme assets. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the scheme, where the Group has the unconditional right to the surplus, or reductions in future contributions to the scheme. Assets recognised are adjusted for tax, where relevant.

Notes to the consolidated financial statements continued

For the year ended 31 March 2022

1. Basis of preparation and significant accounting policies continued

The Group participates in four multi-employer defined benefit pension schemes. For three of these schemes, the Group's share of the assets and liabilities is minimal. The fourth scheme is the Plumbing & Mechanical Services (UK) Industry Pension Scheme (the Plumbing Scheme), a funded multi-employer defined benefit scheme. The Plumbing Scheme was founded in 1975 and to date has had over 4,000 employers. The Plumbing Scheme trustee has issued Section 75 employer debt notices in respect of the participation of Robert Prettie & Co Limited and Mitie FM Limited in the Plumbing Scheme (refer to Notes 21 and 32). Another Group company, Mitie Property Services (UK) Limited, continues to participate in the Plumbing Scheme and the Group accounts for its contributions as if they were paid to a defined contribution scheme. For schemes where sufficient information is not available to use defined benefit accounting, no liability is recognised on the consolidated balance sheet, however, the obligations are disclosed as contingent liabilities in Note 34.

Dividends

Interim dividends are recognised when they are paid and final dividends are recognised as a liability when authorised in a general meeting by shareholders. Dividend income, including from joint ventures and associates, is recognised on receipt.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements under IFRS 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 Group's accounting policies

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

Revenue recognition

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

Due to the size and complexity of the Group'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 Group 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 renewals 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.

Some of the Group's contracts include variable consideration where management assesses the extent to which revenue is recognised. For certain contracts, key judgements were made on whether it is considered highly probable that a significant reversal of revenue will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Profit before other items

Other items are items of financial performance which management believes should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group. Determining whether an item should be classified within Other items requires judgement as to whether an item is or is not part of the underlying performance of the Group. Refer to Note 1 which details the Group's policy for Other items.

Other items after tax of £79.8m were charged (2021: £44.8m) to the consolidated income statement for the year ended 31 March 2022. Included within the net charge were material one-off charges in respect of the implementation of the digital supplier platform of £4.4m which, in management's judgement, is a material one-off programme delivering a step change in the Group's supplier chain management capabilities and therefore meets the Group's definition to be categorised as Other items. Also included within other exceptional items is income of £9.8m, arising as a result of commercial negotiations with a certain customer leading to de-recognition of pre-acquisition liabilities with respect to Interserve, which in management's judgement is a material one-off income and meets the Group's policy for being categorised as Other items. A complete analysis of the amounts included in Other items is detailed in Note 4.

Recoverability of trade receivables and accrued income

The Group has material amounts of billed and unbilled work outstanding at 31 March 2022. Receivables are recognised initially at cost (being the same as fair value) and subsequently at amortised cost less any allowance for impairment, to ensure that amounts recognised represent the recoverable amount. The Group recognises a loss allowance for expected credit losses (ECLs) on all receivable balances from customers using a lifetime credit loss approach and includes specific allowance for impairment where there is evidence that the Group 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.

2. Critical accounting judgements and key sources of estimation uncertainty continued

IFRS 16 – Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any period covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. Management applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for the Group to exercise either the renewal or termination option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease.

Business combination – purchase price allocation

When the Group completes a business combination, the fair value of the identifiable assets and liabilities acquired are recognised through a purchase price allocation process, the determination of which requires management judgement.

Interserve acquisition

The Group completed the acquisition of Interservefm (Holdings) Limited (Interserve) on 30 November 2020. Under IFRS 3 *Business Combinations*, the fair value of assets and liabilities must be finalised within a 12-month measurement period following the date of acquisition (the Measurement Period), which ended on 29 November 2021 in the case of Interserve. During the Measurement Period, the Group performed further analysis of balances acquired as part of the Interserve transaction and decreased the fair value of the net identifiable assets acquired as reported at 31 March 2021 by £7.7m to £131.0m. This was predominantly due to increases in provisions for certain PFI contracts where new information had been received about facts and circumstances that existed as at the acquisition date, which in management's judgement, if known, would have affected the measurement of the amounts recognised at the acquisition date.

During the Measurement Period, the fair value of the consideration for the Group's acquisition of Interserve, was increased by £4.9m to £146.9m. This was due to a reduction in management's best estimate of the amount expected to be received through the completion accounts process and other mechanisms allowed by the Share Purchase Agreement (SPA), from £57.6m to £52.7m, primarily reflecting the removal of certain liabilities on the acquisition balance sheet and adjustments arising from the completion accounts process. This estimate was based on the facts and circumstances that were present and known during the Measurement Period, although the outcome of the completion accounts process remained inherently uncertain at the end of the Measurement Period, given that the SPA terms related to the completion accounts mechanism were complex, and the completion accounts would be the subject of commercial negotiation and, in the absence of agreement, an expert determination process. As previously disclosed, it was therefore recognised that the final amount agreed could be materially different from the estimate. The completion accounts process (and expert determination) has since been concluded. Following the expert's determination, for which the expert sought a legal opinion in relation to the interpretation of the complex SPA requirements, an agreement was reached for the seller to pay £7.1m to the Group, of which £1.1m was settled during the second half of the year ended 31 March 2022 and £6.0m was settled in May 2022. The resulting £45.6m reduction in the related receivable has been recognised as an adjusting post balance sheet event in the consolidated income statement and classified as Other items, given that the Measurement Period had ended.

The changes made to the fair value of the net identifiable assets acquired and the consideration during the Measurement Period resulted in an increase in the goodwill balance of £12.6m to £15.9m which has been retrospectively adjusted (see Note 30).

The impact of the retrospective adjustment on the consolidated balance sheet at 31 March 2021 is shown below.

	31 March 2021			
	As reported £m	Interserve measurement period adjustments £m	Impact of change in accounting policy ¹ £m	As restated £m
Goodwill	282.2	12.6	–	294.8
Other intangible assets	266.2	–	(5.2)	261.0
Deferred tax assets	32.0	(9.7)	–	22.3
Total non-current assets	737.6	2.9	(5.2)	735.3
Current trade and other receivables	683.6	(4.8)	–	678.8
Current tax receivable	3.5	–	0.9	4.4
Total current assets	897.5	(4.8)	0.9	893.6
Total assets	1,635.1	(1.9)	(4.3)	1,628.9
Current trade and other payables	(701.5)	(0.3)	–	(701.8)
Current deferred income	(84.5)	(0.3)	–	(84.8)
Current provisions	(48.3)	(7.2)	–	(55.5)
Total current liabilities	(866.8)	(7.8)	–	(874.6)
Net current assets	30.7	(12.6)	0.9	19.0
Deferred tax liabilities	(12.2)	9.7	–	(2.5)
Total non-current liabilities	(406.5)	9.7	–	(396.8)
Total liabilities	(1,273.3)	1.9	–	(1,271.4)
Net assets	361.8	–	(4.3)	357.5

Note:

1. The comparatives as at 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.

Notes to the consolidated financial statements continued

For the year ended 31 March 2022

2. Critical accounting judgements and key sources of estimation uncertainty continued

DAEL and Rock acquisitions

On 5 August 2021 the Group completed the acquisition of DAEL Ventures Limited (DAEL) and on 1 November 2021 the Group completed the acquisition of Rock Power Connections Limited (Rock). The most significant fair value adjustments arising on the acquisitions of DAEL and Rock related to attributing value to the acquired intangible assets recognised in the form of customer contracts and relationships.

In determining the fair value of customer contracts and relationships, the Group used forecast customer cash flows from the contracts and expected renewal rates and applied an appropriate discount rate specific to the asset. In determining the cash flows, management used judgement to estimate revenue growth, profit margins, contract renewal probability and the average contract duration remaining as well as the discount rate. This analysis indicated provisional fair values for customer contracts and relationships of £5.0m for DAEL and £2.5m for Rock with corresponding provisional deferred tax liabilities in relation to those intangible assets of £1.2m and £0.6m respectively.

Classification of disposed businesses as discontinued operations

On 1 June 2021, the Group completed the sale of Mitie Norge AS, Mitie Sverige AB and Mitie Polska Sp z o.o (together, the Nordics and Poland operations). On 30 September 2021, the Group also completed the sale of Mitie Business Services Limited and Mitie Business Services UK Limited (together, the Document Management business).

The results of the Nordics and Poland operations have been classified as discontinued operations as the disposal related to specific geographical areas of operations and was part of a single co-ordinated plan. The results of the Document Management business have been classified as discontinued operations as the disposed business represented a separate major line of business and the disposal was part of a single co-ordinated plan. Comparative information has been re-presented to show the results of the Nordics and Poland operations and the Document Management business as discontinued operations.

Allocation of goodwill

The Group adopted a relative value approach based on operating profit before depreciation, amortisation, impairment and Other items to allocate goodwill to the disposed businesses and to reallocate goodwill related to the reorganisation of the divisional structure. As a result, goodwill of £14.4m allocated to the Document Management business and £1.4m allocated to the Nordics and Poland operations have been disposed. These amounts have been excluded from the carrying value of goodwill within the Business Services and Technical Services CGUs, respectively. These amounts are included in the net assets for the disposed businesses used in the determination of the gain or loss on disposal. Further details are included in Notes 5 and 12.

Similarly, as a result of Mitie's reorganisation of its divisional structure, goodwill has been reallocated between CGUs based on a relative value approach. Consequently, goodwill of £60.9m has been reallocated from the Technical Services CGU to the Communities CGU and £8.9m has been reallocated from the Business Services CGU to the Communities CGU.

Landmarc joint venture

The Group holds 51% of the equity shares in Landmarc Support Services Limited (Landmarc), a jointly-controlled entity, through its shareholding in Interserve. The remaining 49% of the equity shares in Landmarc are held by a single third party. Management considers Landmarc to be a joint venture despite the Group having majority voting rights. This is because, under the terms of the shareholder agreement, joint agreement is required with the other party to pass resolutions for all significant activities. Accordingly, the Group does not exert control on Landmarc to recognise it as a subsidiary.

The Group accounts for its investment in Landmarc using the equity method. See Note 15.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have the most significant effect on the carrying value of assets and liabilities as at 31 March 2022, are discussed below:

Provisions and contingent liabilities

The Company and various of its subsidiaries are, from time to time, party to legal proceedings and claims that are in the ordinary course of business. Judgements are required in order to assess whether these legal proceedings and claims are probable, and the liability can be reasonably estimated, resulting in a provision or, alternatively, whether the items meet the definition of contingent liabilities.

Provisions are liabilities of uncertain timing or amount and therefore in making a reliable estimate of the quantum and timing of liabilities, judgement is applied and re-evaluated at each reporting date. The Group recognised provisions at 31 March 2022 of £117.0m (2021 restated: £123.6m). Further details are included in Note 21.

On 13 May 2020, Interserve Group Limited (IGL) announced that it was subject to a cyber-attack, which affected elements of the Interserve Group's IT systems (including enterprise resource planning and human resource systems), including elements related to the Interserve entities acquired by Mitie (the Cyber Incident).

The Cyber Incident was reported to the Information Commissioner's Office (ICO) on 5 May 2020. The ICO subsequently advised IGL that it considered it likely that IGL had breached certain articles of the GDPR. It was therefore possible that IGL or members of the Interserve Group could be subject to any regulatory action in respect of the Cyber Incident which, if they were found in breach of their obligations under the GDPR, could result in a remedial order or fine.

On 27 April 2022, the ICO subsequently issued a Notice of Intent (NOI) to IGL, advising that it is minded to issue IGL with a penalty notice under section 155 of the UK's Data Protection Act 2018. The NOI contains a confirmation that the ICO is satisfied that IGL is the controller with primary responsibility for the matters which gave rise to the breach of certain articles of the GDPR.

2. Critical accounting judgements and key sources of estimation uncertainty continued

In accordance with the Share Purchase Agreement dated 25 June 2020 (SPA), pursuant to which Mitie acquired the Interserve entities from How Group Limited (HGL), HGL agreed to indemnify Mitie against any penalty that the ICO might impose on the Interserve entities acquired by Mitie in relation to the Cyber Incident (the Cyber Indemnity). The Cyber Indemnity was, alongside other indemnities given by HGL, secured by escrow arrangements, pursuant to which £40.0m was held in an escrow account for a period of two years (until 30 November 2022).

Management reasonably believe that, having regard to the NOI (including the confirmation that IGL is the relevant controller for the purposes of the ICO's investigation), the former Interserve entities, acquired on 30 November 2020, will not be subject to any regulatory action in respect of the Cyber Incident which could result in a remedial order or fine. Further details are included in Note 34.

Onerous contract provisions

Onerous contract provisions totalling £13.2m have been recognised at 31 March 2022 (2021 restated: £17.6m). These primarily arose on the acquisition of Interserve and include a measurement period adjustment of £6.4m (see Note 30).

Onerous contract assessments are performed by the Group at an individual contract level at each reporting date. Determining the carrying value of onerous contract provisions requires assumptions and complex judgements to be made about the future performance of the Group's contracts. The level of uncertainty in the estimates made, either in determining whether a provision is required, or in the measurement of a provision booked, is linked to the complexity of the underlying contract.

The major sources of judgement when measuring the level of provision to book are:

- the level of accuracy in forecasting future variable revenue and costs to complete the contract;
- the ability of the Group to maintain or improve operational performance to ensure cost assumptions are in line with expected levels, including contract specific key performance indicators (KPIs);
- identifying cost saving initiatives that are considered to be probable in terms of timing and scale; and
- expectations around the resolution of contract specific disputes and the likelihood of incurring future costs associated with remediation or reactive work.

The range of possible future outcomes in respect of judgements and assumptions made to determine the carrying value of the Group's onerous contract provisions could result in a material increase or decrease in the value of the provisions, and hence on the Group's profitability in the next financial year.

To mitigate this, management regularly compares actual contract performance against previous forecasts used to measure the onerous contract provisions and considers if revised judgements are required.

The Directors have assessed the range of possible outcomes on contracts requiring an onerous contract provision, based on facts and circumstances that were present and known at the balance sheet date. To the extent that sensitivities around the major sources of estimation identified above in measuring the provision, in aggregate, the assessed range of possible future outcomes on these contracts in the next financial year could potentially lead to a reduction in the provision of up to £10m or a further increase of up to £19m being recognised.

An onerous contract provision has not been recognised on a certain contract which made a loss of £8.7m in the year ended 31 March 2022 (2021: £3.9m) and has 18 years remaining on the contract. This contract was acquired as part of the acquisition of Interserve, and a detailed turnaround plan is in the process of being implemented. Based on the plan, management expects that the contract will return to profitability and will record a cumulative profit for the remaining term of the contract.

Other contract specific provisions

In addition to the onerous contract provisions, the Group has recognised £43.1m of contract specific provisions at 31 March 2022 (2021 restated: £42.9m). These have been recognised primarily to cover costs required to meet specific contractual obligations.

Within this total, £14.7m relates to a certain contract where a significant liability has been estimated in relation to a commercial dispute. Management sought external assistance to value the potential risk exposure to the Group. The actual exposure to the Group may differ from the amount provided at 31 March 2022 due to the compounding effect of multiple variables associated with the particular issues involved in the dispute. The value of the provision represents management's best estimate. Management considers that to the extent that it is agreed or determined that the Group is found to have a liability, the assessed range of possible future outcomes could potentially lead to a reduction in the provision of up to £3m or a further increase of up to £9m being recognised, and other possible outcomes could increase the liability further. Management will continue to assess the provision recorded in arriving at its best estimate of any potential resolution at each subsequent reporting date.

Provisions in relation to certain contracts are also subject to independent adjudication and negotiation with the customers.

Measurement of defined benefit pension obligations

The net pension liability at 31 March 2022 was £12.2m (2021: £42.5m), which includes a retirement benefit asset of £1.6m (2021: £3.0m).

The measurement of defined benefit obligations requires judgement. It is dependent on material key assumptions including discount rates, life expectancy rates and future contribution rates. See Note 32 for further details and a sensitivity analysis for the key assumptions.

The Group also participates in four multi-employer defined benefit pension schemes, including the Plumbing & Mechanical Services (UK) Industry Pension Scheme (the Plumbing Scheme). The Group has recognised provisions of £21.7m at 31 March 2022 (2021: £21.7m) for Section 75 employer debts in respect of the participation of Robert Prettie & Co. Limited and Mitie FM Limited in the Plumbing Scheme.

Deferred tax assets

The Group has recognised deferred tax assets of £11.1m (2021 restated: £22.3m), refer to Note 22. Recovery of these assets is subject to the Group generating taxable profits in future years. Management has assessed recovery of these assets with reference to the Group's medium-term forecasts.

Notes to the consolidated financial statements continued

For the year ended 31 March 2022

3. Business segment information

The Group manages its business on a service division basis. At 31 March 2022, the Group had eight reportable segments and the information, as reported, is consistent with information presented to the Board of Directors, which is the Group's chief operating decision maker. Revenue including share of joint ventures and associates, operating profit before other items and operating profit margin before other items are the primary measures of performance that are reported to and reviewed by the Board.

The information presented for the year ended 31 March 2021 has been re-presented to reflect changes in the divisional structure, following the acquisition of Interserve, implemented during the year ended 31 March 2022. Mitie has reorganised its divisional structure into eight reportable segments: Business Services, Technical Services, Central Government & Defence (CG&D), Communities, Care & Custody, Landscapes, Waste and Spain. As part of the reorganisation, three new divisions have been formed related to businesses acquired with Interserve, namely Communities, CG&D and Spain. In addition, Mitie's PFI and Healthcare operations have been transferred to Communities from Technical Services and Business Services respectively. Care & Custody, Landscapes, Waste and Spain have been aggregated and categorised as Specialist Services, however, each of these businesses individually meets the IFRS 8 Operating Segments criteria for being a separate operating segment.

Segment assets and liabilities have not been disclosed as they are not reviewed by the Board.

Income statement information

	2022			Restated ¹ 2021		
	Revenue ³ £m	Operating profit/(loss) before other items ⁴ £m	Operating margin before other items ⁴ %	Revenue ³ £m	Operating profit/(loss) before other items ^{2,4} £m	Operating margin before other items ^{2,4} %
Business Services	1,522.0	107.5	7.1	1,022.9	47.6	4.7
Technical Services	972.9	30.0	3.1	751.2	11.0	1.5
CG&D ³	669.4	38.4	5.7	225.5	10.1	4.5
Communities ³	460.0	19.9	4.3	265.0	16.6	6.3
Specialist Services	372.5	32.5	8.7	264.2	23.8	9.0
Care & Custody	135.7	9.9	7.3	108.8	7.4	6.8
Landscapes	55.0	9.2	16.7	50.2	8.4	16.7
Waste	76.7	8.3	10.8	74.6	6.7	9.0
Spain	105.1	5.1	4.9	30.6	1.3	4.2
Corporate centre	–	(61.4)	–	–	(50.3)	–
Total from continuing operations	3,996.8	166.9	4.2	2,528.8	58.8	2.3
Document Management	25.5	2.8	11.0	47.5	4.7	9.9
Nordics and Poland	1.9	0.1	5.3	13.0	0.4	3.1
Total from discontinued operations	27.4	2.9	10.6	60.5	5.1	8.4
Total Group	4,024.2	169.8	4.2	2,589.3	63.9	2.5

Notes:

1. Re-presented due to the change in divisional structure and to classify the Document Management business and operations in the Nordics and Poland as discontinued operations. See Note 5.
2. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
3. Revenue includes share of joint ventures and associates, of which £85.1m (2021: £27.2m) is included within CG&D and £8.4m (2021: £2.6m) within Communities.
4. Other items are as described in Note 4.
5. No single customer accounted for more than 10% of external revenue in the year ended 31 March 2022 or in the comparative year. The UK Government is not considered a single customer.

3. Business segment information continued

A reconciliation of segment operating profit before other items to total profit/(loss) before tax is provided below:

	2022			Restated ^{1,2} 2021		
	From continuing operations £m	From discontinued operations £m	Total Group £m	From continuing operations £m	From discontinued operations £m	Total Group £m
Operating profit before other items	166.9	2.9	169.8	58.8	5.1	63.9
Other items ³	(94.8)	17.0	(77.8)	(54.8)	2.9	(51.9)
Net finance (costs)/income	(19.8)	0.1	(19.7)	(17.7)	0.3	(17.4)
Profit/(loss) before tax	52.3	20.0	72.3	(13.7)	8.3	(5.4)

Notes:

1. Re-presented to classify the Document Management business and operations in the Nordics and Poland as discontinued operations. See Note 5.
2. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
3. Other items are as described in Note 4.

Geographical segments

Revenue, operating profit and operating margin from external customers by geographical segment are shown below:

	2022			Restated ¹ 2021		
	Revenue ² £m	Operating profit before other items ⁴ £m	Operating margin before other items ⁴ %	Revenue ² £m	Operating profit before other items ^{3,4} £m	Operating margin before other items ^{3,4} %
United Kingdom	3,844.5	160.3	4.2	2,446.9	56.3	2.3
Other countries	152.3	6.6	4.3	81.9	2.5	3.1
Continuing operations	3,996.8	166.9	4.2	2,528.8	58.8	2.3
United Kingdom	25.5	2.8	11.0	47.5	4.7	9.9
Other countries	1.9	0.1	5.3	13.0	0.4	3.1
Discontinued operations	27.4	2.9	10.6	60.5	5.1	8.4
Total Group	4,024.2	169.8	4.2	2,589.3	63.9	2.5

Notes:

1. Re-presented to classify the Document Management business and operations in the Nordics and Poland as discontinued operations. See Note 5.
2. Revenue includes share of joint ventures and associates.
3. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
4. Other items are as described in Note 4.

The carrying amount of non-current assets, excluding interest in joint ventures and associates, derivative financial instruments and deferred tax assets, by geographical segment is shown below:

	2022 £m	Restated ^{1,2} 2021 £m
United Kingdom	700.3	676.4
Other countries	14.8	11.0
Total	715.1	687.4

Notes:

1. The comparatives as at 31 March 2021 have been restated for measurement period adjustments in respect of the Interserve acquisition (refer to Note 2 and Note 30).
2. The comparatives as at 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.

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For the year ended 31 March 2022

3. Business segment information continued

Supplementary information

	2022				Restated ¹ 2021			
	Depreciation of property, plant and equipment £m	Amortisation of intangible assets £m	Amortisation of contract assets £m	Other items ² £m	Depreciation of property, plant and equipment £m	Amortisation of intangible assets ³ £m	Amortisation of contract assets £m	Other items ² £m
Business Services	1.9	2.3	–	17.6	2.7	1.2	–	19.2
Technical Services	0.8	0.7	1.0	21.1	0.5	0.6	1.0	20.9
CG&D	0.3	0.2	–	(3.5)	0.1	–	–	5.2
Communities	0.9	–	–	10.9	0.1	–	–	1.5
Specialist Services	2.5	–	0.7	3.1	2.1	–	0.7	4.0
Care & Custody	0.3	–	0.7	1.2	0.3	–	0.7	1.9
Landscapes	0.9	–	–	0.6	0.8	–	–	0.8
Waste	0.3	–	–	0.9	0.6	–	–	1.3
Spain	1.0	–	–	0.4	0.4	–	–	–
Corporate centre	35.0	24.0	–	45.6	28.5	14.3	–	4.0
Continuing operations	41.4	27.2	1.7	94.8	34.0	16.1	1.7	54.8
Catering	–	–	–	–	–	–	–	1.6
Healthcare	–	–	–	–	–	–	–	(2.1)
Pest Control	–	–	–	–	–	–	–	(0.7)
Social Housing	–	–	–	(4.0)	–	–	–	(2.0)
Document Management	0.2	–	–	(16.0)	0.4	–	–	–
Nordics and Poland	–	–	–	3.0	–	–	–	0.3
Discontinued operations	0.2	–	–	(17.0)	0.4	–	–	(2.9)
Total Group	41.6	27.2	1.7	77.8	34.4	16.1	1.7	51.9

Notes:

1. Re-presented due to the change in divisional structure and to classify the Document Management business and operations in the Nordics and Poland as discontinued operations. See Note 5.
2. Other items are as described in Note 4.
3. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.

Disaggregated revenue

The Group disaggregates revenue from contracts with customers by sector (government and non-government) and by contract duration (contracts with a duration from inception of less than two years, and contracts with a duration from inception of more than two years). Management believes this best depicts how the nature, timing and amount of revenue and cash flows are affected by economic factors. The following table includes a reconciliation of disaggregated revenue with the Group's reportable segments.

3. Business segment information continued

	2022					
	Sector ¹			Contract duration for timing of revenue recognition		
	Government £m	Non-government £m	Total £m	Less than 2 years £m	More than 2 years £m	Total £m
Business Services	686.6	835.4	1,522.0	682.0	840.0	1,522.0
Technical Services	275.5	697.4	972.9	79.2	893.7	972.9
CG&D	669.4	–	669.4	0.7	668.7	669.4
Communities	452.1	7.9	460.0	18.2	441.8	460.0
Specialist Services	259.5	113.0	372.5	85.0	287.5	372.5
Care & Custody	135.7	–	135.7	50.1	85.6	135.7
Landscapes	20.0	35.0	55.0	18.5	36.5	55.0
Waste	31.0	45.7	76.7	14.1	62.6	76.7
Spain	72.8	32.3	105.1	2.3	102.8	105.1
Continuing operations including joint ventures and associates	2,343.1	1,653.7	3,996.8	865.1	3,131.7	3,996.8
Less: joint ventures and associates ²	(93.5)	–	(93.5)	–	(93.5)	(93.5)
Continuing operations excluding joint ventures and associates	2,249.6	1,653.7	3,903.3	865.1	3,038.2	3,903.3
Document Management	1.7	23.8	25.5	0.1	25.4	25.5
Nordics and Poland	–	1.9	1.9	–	1.9	1.9
Discontinued operations	1.7	25.7	27.4	0.1	27.3	27.4
Total Group excluding joint ventures and associates	2,251.3	1,679.4	3,930.7	865.2	3,065.5	3,930.7

Notes:

- Sector is defined by the end customer on any contract, for example, if the Group is a subcontractor to a company repairing a government building, then the contract would be classified as government.
- Revenue from joint ventures and associates includes £85.1m and £8.4m within the CG&D and Communities segments respectively.

	2021 ¹					
	Sector ²			Contract duration for timing of revenue recognition		
	Government £m	Non-government £m	Total £m	Less than 2 years £m	More than 2 years £m	Total £m
Business Services	271.7	751.2	1,022.9	247.3	775.6	1,022.9
Technical Services	193.4	557.8	751.2	69.3	681.9	751.2
CG&D	225.5	–	225.5	–	225.5	225.5
Communities	263.1	1.9	265.0	8.0	257.0	265.0
Specialist Services	168.8	95.4	264.2	80.9	183.3	264.2
Care & Custody	108.8	–	108.8	23.6	85.2	108.8
Landscapes	13.1	37.1	50.2	15.4	34.8	50.2
Waste	25.4	49.2	74.6	12.9	61.7	74.6
Spain	21.5	9.1	30.6	29.0	1.6	30.6
Continuing operations including joint ventures and associates	1,122.5	1,406.3	2,528.8	405.5	2,123.3	2,528.8
Less: joint ventures and associates ³	(29.8)	–	(29.8)	–	(29.8)	(29.8)
Continuing operations excluding joint ventures and associates	1,092.7	1,406.3	2,499.0	405.5	2,093.5	2,499.0
Document Management	3.4	44.1	47.5	0.2	47.3	47.5
Nordics and Poland	–	13.0	13.0	–	13.0	13.0
Discontinued operations	3.4	57.1	60.5	0.2	60.3	60.5
Total Group excluding joint ventures and associates	1,096.1	1,463.4	2,559.5	405.7	2,153.8	2,559.5

Notes:

- Re-presented due to the change in divisional structure and to classify the Document Management business and operations in the Nordics and Poland as discontinued operations. See Note 5.
- Sector is defined by the end customer on any contract, for example, if the Group is a subcontractor to a company repairing a government building, then the contract would be classified as government.
- Revenue from joint ventures and associates includes £27.2m and £2.6m within the CG&D and Communities segments respectively.

Notes to the consolidated financial statements continued

For the year ended 31 March 2022

3. Business segment information continued

Transaction price allocated to the remaining performance obligations

The table below shows the secured forward order book for each segment at the reporting date with the time bands of when the Group expects to recognise secured revenue on its contracts with customers. Secured revenue corresponds to all fixed work contracted with customers and excludes the impact of any anticipated contract extensions, and new contracts with customers.

	2022			2021 ¹		
	Less than 1 year £m	More than 1 year £m	Total secured revenue £m	Less than 1 year £m	More than 1 year £m	Total secured revenue £m
Business Services	638.8	805.5	1,444.3	812.8	696.5	1,509.3
Technical Services	443.9	779.9	1,223.8	493.0	594.8	1,087.8
CG&D ²	346.3	502.8	849.1	347.3	481.3	828.6
Communities ²	275.2	2,582.4	2,857.6	252.6	2,852.1	3,104.7
Specialist Services	194.7	484.4	679.1	138.5	425.4	563.9
Care & Custody	120.1	397.8	517.9	99.7	345.2	444.9
Landscapes	32.1	68.8	100.9	0.2	61.9	62.1
Waste	7.0	8.6	15.6	7.8	13.3	21.1
Spain	35.5	9.2	44.7	30.8	5.0	35.8
Continuing operations and Total	1,898.9	5,155.0	7,053.9	2,044.2	5,050.1	7,094.3

Notes:

1. Re-presented due to the change in divisional structure and to classify the Document Management business and operations in the Nordics and Poland as discontinued operations. See Note 5.
2. Forward order book includes share of joint ventures and associates.

4. Other items

Other items are items of financial performance which management believes should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group.

The Group separately reports impairment of goodwill, impairment and amortisation of acquisition related intangible assets, acquisition and disposal related costs, gain or loss on business disposals, cost of restructuring programmes and other exceptional items as other items, together with their related tax effect:

	2022				
	Restructure costs £m	Acquisition and disposal related costs £m	Gain on disposal £m	Other exceptional items £m	Total £m
Continuing operations					
Other items before tax	(10.9)	(89.3)	–	5.4	(94.8)
Tax ¹	2.1	(3.1)	–	(1.0)	(2.0)
Other items after tax	(8.8)	(92.4)	–	4.4	(96.8)
Discontinued operations					
Other items before tax	–	4.0	13.0	–	17.0
Tax	–	–	–	–	–
Other items after tax	–	4.0	13.0	–	17.0
Total Group					
Other items before tax	(10.9)	(85.3)	13.0	5.4	(77.8)
Tax ¹	2.1	(3.1)	–	(1.0)	(2.0)
Other items after tax	(8.8)	(88.4)	13.0	4.4	(79.8)

Note:

1. Includes £8.1m charge as a result of the increase in the rate of UK corporation tax from 1 April 2023. This primarily relates to the remeasurement of the deferred tax liability on the customer contracts and relationships intangible arising on the acquisition of Interserve. See Note 9.

4. Other items continued

	2021 ¹				
	Restructure costs £m	Acquisition and disposal related costs £m	Gain on disposal £m	Other exceptional items £m	Total £m
Continuing operations					
Other items before tax	(24.9)	(33.1)	–	3.2	(54.8)
Tax	4.8	3.3	–	(0.6)	7.5
Other items after tax	(20.1)	(29.8)	–	2.6	(47.3)
Discontinued operations					
Other items before tax	(0.3)	2.0	1.2	–	2.9
Tax	–	(0.4)	–	–	(0.4)
Other items after tax	(0.3)	1.6	1.2	–	2.5
Total Group					
Other items before tax	(25.2)	(31.1)	1.2	3.2	(51.9)
Tax	4.8	2.9	–	(0.6)	7.1
Other items after tax	(20.4)	(28.2)	1.2	2.6	(44.8)

Note:

1. The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations are re-presented within discontinued operations. Refer to Note 5.

Restructure costs

The Group has been undertaking a major transformation programme involving the restructuring of operations to reposition the business for its next phase of growth, which includes Project Forte and the Property programme. The costs are analysed below:

	2022			2021		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Group transformation programme:						
Project Forte ¹	(10.2)	–	(10.2)	(10.6)	–	(10.6)
Property ²	(0.4)	–	(0.4)	(11.3)	–	(11.3)
Other transformation projects ³	(0.3)	–	(0.3)	(3.0)	(0.3)	(3.3)
Restructure costs	(10.9)	–	(10.9)	(24.9)	(0.3)	(25.2)
Tax	2.1	–	2.1	4.8	–	4.8
Restructure costs net of taxation	(8.8)	–	(8.8)	(20.1)	(0.3)	(20.4)

Notes:

1. Project Forte was launched in 2019, primarily focusing on re-engineering the Technical Services business to modernise and optimise workflow processes. It will improve both the customer experience and the efficiency of the internal operations. Project Forte is also driving further Group-wide organisational consolidation, automation of processes and further offshoring of back office activities. Cumulative costs of £31.4m have been recognised within the consolidated income statement and classified as Other items on Project Forte since its launch in 2019, of which £6.5m were non-cash costs. The project is expected to be completed during the year ending 31 March 2023.
2. Programme to restructure the property portfolio to align with the new operating model, which involves the vacation of office space. Cumulative costs of £13.2m have been recognised within the consolidated income statement and classified as Other items since its launch in 2019, which predominantly relate to non-cash impairment charges in relation to right-of-use assets recognised on property leases. The programme is expected to be completed during the year ending 31 March 2023.
3. Other transformation projects focus on aligning the remaining areas of the business to the new operating model, including fixed-term staff costs related to simplifying the management structure.

The costs associated with the Group transformation programme include consultancy costs of £4.1m (2021: £3.6m), fixed-term staff costs of £5.2m (2021: £4.2m) to manage and implement the changes, a right-of-use asset impairment of £0.1m (2021: £6.3m), other onerous lease costs of £0.2m (2021: £2.6m) and intangible asset impairments of £1.3m (2021: £3.4m). In the year ended 31 March 2021, redundancy costs of £3.2m and property, plant and equipment impairments of £1.9m were also recognised.

Notes to the consolidated financial statements continued

For the year ended 31 March 2022

4. Other items continued

Acquisition and disposal related costs

	2022			2021		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Interserve acquisition related costs ¹	(2.4)	–	(2.4)	(14.8)	–	(14.8)
Interserve integration costs ²	(16.2)	–	(16.2)	(8.8)	–	(8.8)
Interserve completion accounts adjustment ³	(45.6)	–	(45.6)	–	–	–
Interserve amortisation of acquisition related assets ⁴	(19.1)	–	(19.1)	(6.7)	–	(6.7)
Total Interserve acquisition costs	(83.3)	–	(83.3)	(30.3)	–	(30.3)
Other amortisation of acquisition related intangible assets	(2.8)	–	(2.8)	(2.2)	–	(2.2)
Other transaction related projects	–	–	–	(0.6)	–	(0.6)
Other acquisition transaction costs ⁵	(3.2)	–	(3.2)	–	–	–
Other disposal income ⁶	–	4.0	4.0	–	2.0	2.0
Acquisition and disposal costs	(89.3)	4.0	(85.3)	(33.1)	2.0	(31.1)
Tax	(3.1)	–	(3.1)	3.3	(0.4)	2.9
Acquisition and disposal costs net of taxation	(92.4)	4.0	(88.4)	(29.8)	1.6	(28.2)

Notes:

1. Comprises £2.5m of professional fees and an additional provision in respect of parent company guarantees of £0.6m, partially offset by the release of certain pre-acquisition net payables amounts in respect of Interserve of £0.7m.
2. Comprises £5.3m of professional fees, staff related integration costs of £3.1m, dual running costs related to the transitional service arrangement of £1.9m, IT integration costs of £1.6m, redundancy costs of £1.8m, software impairments of £1.4m, rebranding costs of £0.6m, other property related costs of £0.2m, right-of-use asset impairments of £0.1m and other integration costs of £0.2m.
3. At 31 March 2021 other receivables included £52.7m (restated) which represented management's best estimate of the amount expected to be recovered by the Group through the completion accounts and other SPA mechanisms on the Interserve acquisition. At 31 March 2021 it was disclosed that the outcome of the completion accounts process was inherently uncertain, given that the SPA terms related to the completion accounts mechanism were complex, and the completion accounts would be the subject of a commercial negotiation and, in the absence of agreement, an expert determination process, and the final amount agreed could therefore be materially different from the estimate. The completion accounts process (and expert determination) has since been concluded. Following the expert's determination, for which the expert sought a legal opinion in relation to the interpretation of the complex SPA requirements, an agreement was reached for the seller to pay £7.1m to the Group. The resulting £45.6m reduction in the related receivable has been recognised in the consolidated income statement and classified as Other items, given that the Measurement Period had ended. See Note 2.
4. Includes £16.7m amortisation on customer contracts and relationships acquired with Interserve and £2.4m related to the amortisation of customer contracts and relationship assets arising on the acquisition of Landmarc Support Services Limited which has been equity accounted. See Notes 13 and 15.
5. Other acquisition transaction costs for the year ended 31 March 2022 comprise £1.7m of professional fees, £0.3m of fixed-term staff costs, £0.1m of other acquisition costs, £0.1m of redundancy costs relating to acquisitions other than Interserve and £1.0m of performance-based employment-linked earnouts arising from acquisitions. Refer to Note 30.
6. Other disposal income relates to rectification works on property maintenance contracts associated with the disposal of the Social Housing business of £4.0m (2021: £2.0m).

Gain on disposal

A net gain on disposal of businesses of £13.0m (2021: £1.2m) has been recognised in Other items. See Note 5 for further details.

Other exceptional items

Other exceptional items included in operating profit are analysed below:

	2022			2021		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Settlement of contractual disputes ¹	9.8	–	9.8	–	–	–
Net settlement of legal dispute	–	–	–	3.7	–	3.7
Digital supplier platform ²	(4.4)	–	(4.4)	–	–	–
Other exceptional items	–	–	–	(0.5)	–	(0.5)
Other exceptional items	5.4	–	5.4	3.2	–	3.2
Tax	(1.0)	–	(1.0)	(0.6)	–	(0.6)
Other exceptional items net of taxation	4.4	–	4.4	2.6	–	2.6

Notes:

1. For the year ended 31 March 2022, as a result of commercial negotiations with a certain customer, pre-acquisition liabilities of £9.8m have been de-recognised with respect to Interserve. The resulting gain of £9.8m has been recognised in the consolidated income statement as Other items, given the Measurement Period had ended.
2. Costs of £4.4m incurred in the implementation of a new digital supplier platform resulting in a step change in the Group's supply chain management capabilities. This implementation, which is transformational in nature, is expected to be completed during the year ending 31 March 2023 and the cumulative one-off cash cost of the implementation is expected to be £7.5m.

5. Discontinued operations and disposal of subsidiaries

On 1 June 2021, the Group completed the sale of Mitie Norge AS, Mitie Sverige AB and Mitie Polska Sp z o.o (together, the Nordics and Poland operations). On 30 September 2021, the Group completed the sale of Mitie Business Services Limited and Mitie Business Services UK Limited (together, the Document Management business). The results of the Nordics and Poland operations and the Document Management business have been classified as discontinued operations at 31 March 2022 and comparative information has been re-presented.

The Group recognised a net loss on disposal of £3.0m in relation to the disposal of the Nordics and Poland operations and a net gain on disposal of £16.0m in relation to the disposal of the Document Management business.

	2022			2021 ¹	
	Nordics and Poland £m	Document Management £m	Social Housing £m	Total £m	Total £m
Total consideration	0.3	36.7	–	37.0	(2.6)
Net assets disposed ²	(2.9)	(19.7)	–	(22.6)	–
Recycling of foreign exchange loss in reserves	(0.3)	–	–	(0.3)	–
Transaction costs	(0.1)	(1.0)	–	(1.1)	–
Release of customer liability	–	–	–	–	1.7
Release of indemnity provision	–	–	–	–	2.1
Net loss/(gain) on disposal of discontinued operations as reported in other items (see Note 4)	(3.0)	16.0	–	13.0	1.2
Profit before tax before other items	0.1	2.9	–	3.0	5.4
Other items (see Note 4)	–	–	4.0	4.0	1.7
Profit before tax	0.1	2.9	4.0	7.0	7.1
Tax	–	(0.6)	–	(0.6)	(1.1)
Profit for the period after tax	0.1	2.3	4.0	6.4	6.0
Total (loss)/profit for the year	(2.9)	18.3	4.0	19.4	7.2

Notes:

- The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations have been re-presented.
- Net assets disposed in the Nordics and Poland operations include goodwill of £1.4m and cash balances of £1.5m. Net assets disposed in the Document Management business include goodwill of £14.4m and cash balances of £4.6m.

Income statement of discontinued operations

	2022									
	Nordics and Poland			Document Management			Social Housing	Total discontinued operations		
	Before other items £m	Other items ¹ £m	Total £m	Before other items £m	Other items ¹ £m	Total £m	Other items ¹ and Total £m	Before other items £m	Other items ¹ £m	Total £m
Revenue	1.9	–	1.9	25.5	–	25.5	–	27.4	–	27.4
Cost of sales	(1.7)	–	(1.7)	(21.6)	–	(21.6)	–	(23.3)	–	(23.3)
Gross profit	0.2	–	0.2	3.9	–	3.9	–	4.1	–	4.1
Administrative expenses	(0.1)	–	(0.1)	(1.1)	–	(1.1)	4.0	(1.2)	4.0	2.8
Operating profit	0.1	–	0.1	2.8	–	2.8	4.0	2.9	4.0	6.9
Net finance income	–	–	–	0.1	–	0.1	–	0.1	–	0.1
Profit before tax	0.1	–	0.1	2.9	–	2.9	4.0	3.0	4.0	7.0
Tax	–	–	–	(0.6)	–	(0.6)	–	(0.6)	–	(0.6)
Profit for the period	0.1	–	0.1	2.3	–	2.3	4.0	2.4	4.0	6.4
Net (loss)/gain on disposal	–	(3.0)	(3.0)	–	16.0	16.0	–	–	13.0	13.0
Total profit/(loss) for the period	0.1	(3.0)	(2.9)	2.3	16.0	18.3	4.0	2.4	17.0	19.4

Note:

- Other items are as described in Note 4.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

5. Discontinued operations and disposal of subsidiaries continued

	2021										
	Nordics and Poland			Document Management	Catering	Pest Control	Social Housing	Healthcare	Total discontinued operations		
	Before other items £m	Other items¹ £m	Total £m	Before other items and total £m	Other items¹ and total £m	Other items¹ and total £m	Other items¹ and total £m	Other items¹ and total £m	Before other items £m	Other items¹ £m	Total £m
Revenue	13.0	–	13.0	47.5	–	–	–	–	60.5	–	60.5
Cost of sales	(11.8)	–	(11.8)	(40.4)	–	–	–	–	(52.2)	–	(52.2)
Gross profit	1.2	–	1.2	7.1	–	–	–	–	8.3	–	8.3
Administrative expenses	(0.8)	(0.3)	(1.1)	(2.4)	–	–	2.0	–	(3.2)	1.7	(1.5)
Operating profit	0.4	(0.3)	0.1	4.7	–	–	2.0	–	5.1	1.7	6.8
Net finance income	–	–	–	0.3	–	–	–	–	0.3	–	0.3
Profit before tax	0.4	(0.3)	0.1	5.0	–	–	2.0	–	5.4	1.7	7.1
Tax	–	–	–	(0.7)	–	–	(0.4)	–	(0.7)	(0.4)	(1.1)
Profit/(loss) for the period	0.4	(0.3)	0.1	4.3	–	–	1.6	–	4.7	1.3	6.0
Net (loss)/gain on disposal	–	–	–	–	(1.6)	0.7	–	2.1	–	1.2	1.2
Total profit/(loss) for the period	0.4	(0.3)	0.1	4.3	(1.6)	0.7	1.6	2.1	4.7	2.5	7.2

Note:

1. Other items are as described in Note 4.

Cash flows from discontinued operations

	2022		
	Nordics and Poland £m	Document Management £m	Total £m
Cash consideration	0.3	36.7	37.0
Cash disposed	(1.5)	(4.6)	(6.1)
Cash transaction costs	–	(1.0)	(1.0)
Disposal proceeds net of cash disposed and transaction costs	(1.2)	31.1	29.9

The following table shows cashflows from the discontinued operations arising during the ordinary course of business up to date of disposal.

	2022		
	Nordics and Poland £m	Document Management £m	Total £m
Net cash (used in)/generated from operating activities	(0.2)	0.4	0.2
Net cash used in financing activities	–	(0.1)	(0.1)
(Decrease)/increase in cash and cash equivalents	(0.2)	0.3	0.1

6. Operating profit

Operating profit includes the following expenses/(income):

Total Group	2022 £m	2021 £m
Depreciation of property, plant and equipment (Note 14 and Note 26)	41.6	34.4
Amortisation of other intangible assets (Note 13) ¹	27.2	16.1
Amortisation of contract assets (Note 17)	1.7	1.7
Impairment of property, plant and equipment (Note 14)	–	1.9
Impairment of right-of-use assets (Note 26)	0.2	7.4
Impairment of other intangible assets (Note 13)	3.5	4.4
Loss on disposal of property, plant and equipment	0.5	–
Gain on disposal of subsidiaries (Note 5)	(13.0)	(1.2)
Impairment loss recognised on trade receivables (Note 25)	1.5	1.8
Impairment loss recognised on accrued income (Note 25)	0.6	4.4
Reversal of impairment on accrued income (Note 25)	(1.3)	–

Note:

1. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.

6. Operating profit continued

A detailed analysis of auditor's remuneration is provided below:

	2022 £'000	2021 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	252	240
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation – current year	2,933	1,918
Fees payable to Grant Thornton and its associates for the audit of the Company's subsidiaries pursuant to legislation	–	866
Total audit fees – current year	3,185	3,024
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation – prior year	115	443
Total audit fees	3,300	3,467
Audit-related assurance services to the Group	175	115
Tax advisory services	–	1
Other assurance services	9	1,883
Non-audit services provided by Grant Thornton	–	62
Total non-audit fees	184	2,061
Total	3,484	5,528

7. Employees

The average number of people employed during the financial year was:

Number of people ¹	2022	2021 ^{2,3}
Technical Services	8,668	7,502
Business Services	38,501	33,197
CG&D	4,858	1,818
Communities	7,714	5,015
Specialist Services	7,531	4,211
Care & Custody	2,190	1,999
Landscapes	730	795
Waste	260	247
Spain	4,351	1,170
Corporate centre	130	129
Continuing operations	67,402	51,872
Nordics and Poland	17	124
Document Management	659	947
Discontinued operations	676	1,071
Total Group	68,078	52,943

Notes:

1. Average number of people employed from the date of acquisition of businesses.
2. The comparative for the year ended 31 March 2021 has been re-presented as the Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022.
3. The comparatives for the year ended 31 March 2021 have been re-presented to reflect changes in management reporting implemented during the year. See Note 3 for details of the revised divisional structure.

Notes to the consolidated financial statements continued

For the year ended 31 March 2022

7. Employees continued

The total employment costs, including Directors, were:

	2022 £m	2021 £m
Aggregate remuneration comprised:		
Wages and salaries ¹	1,928.4	1,323.7
Social security costs	143.7	108.1
Other pension costs	40.8	31.5
Share-based payments (Note 31)	18.6	9.5
Total	2,131.5	1,472.8

Note:

1. For the year ended 31 March 2022, wages and salaries have been reduced by a net amount of £9.5m (2021: £49.7m), which represents UK Government grants received under the Coronavirus Job Retention Scheme of £ 9.5m (2021: £53.8m), less repayments back to the UK Government of £nil (2021: £4.1m) relating to furloughed colleagues employed directly at Mitie's own operations.

Executive and Non-Executive Directors' aggregate emoluments are shown below:

	2022 £m	2021 £m
Short term benefits	3.6	1.7
Pension and other employment benefits	0.2	0.2
Share-based payments	5.5	2.3
Total	9.3	4.2

8. Finance costs

	2022 £m	2021 £m
Continuing operations		
Interest on bank facilities	4.3	4.7
Interest on private placement loan notes	6.1	6.1
Bank fees	4.7	3.1
Interest on lease liabilities (Note 26)	4.0	3.3
Unwinding of discounts on provisions	–	0.1
Net interest on defined benefit pension scheme assets and liabilities (Note 32)	0.9	0.9
Total	20.0	18.2

9. Tax

	2022 £m	Restated ¹ 2021 £m
Total Group		
Current tax	19.4	1.3
Deferred tax (Note 22)	2.2	0.2
Tax charge for the year	21.6	1.5
Continuing operations	21.0	0.4
Discontinued operations	0.6	1.1
Tax charge for the year	21.6	1.5

Note:

1. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.

9. Tax continued

Corporation tax is calculated at 19% (2021: 19%) of the estimated taxable profit for the year. A reconciliation of the tax charge to the elements of profit before tax per the consolidated income statement is as follows:

	2022			Restated ¹ 2021		
	Before other items £m	Other items ² £m	Total £m	Before other items £m	Other items ² £m	Total £m
Total Group						
Profit/(loss) before tax	150.1	(77.8)	72.3	46.5	(51.9)	(5.4)
Tax at UK rate of 19% (2021: 19%)	28.5	(14.8)	13.7	8.8	(9.9)	(1.1)
Reconciling tax charges for:						
Non-tax deductible charges	–	9.0	9.0	0.9	2.6	3.5
Share-based payments	(0.6)	–	(0.6)	(0.2)	0.2	–
Gain on disposal of businesses	–	(2.5)	(2.5)	–	(0.2)	(0.2)
Impact of equity accounted investments	(1.7)	0.5	(1.2)	(0.5)	0.2	(0.3)
Losses not recognised	2.2	–	2.2	0.2	–	0.2
Overseas tax rates	(0.5)	–	(0.5)	(0.2)	–	(0.2)
Impact of change in statutory tax rates	(9.0)	8.1	(0.9)	–	–	–
Prior year adjustments	0.7	1.7	2.4	(0.4)	–	(0.4)
Tax charge/(credit) for the year	19.6	2.0	21.6	8.6	(7.1)	1.5
Effective tax rate for the year	13.1%	(2.6%)	29.9%	18.5%	13.7%	(27.8%)

Notes:

- The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
- Other items are as described in Note 4.

In addition to the amounts charged to the consolidated income statement, tax relating to remeasurements of retirement benefit liabilities amounting to a £3.8m charge (2021: £1.0m credit) and a £0.1m credit relating to hedged items (2021: £0.1m credit) have been taken directly to the statement of comprehensive income. A £0.2m charge related to share options (2021: £nil) has been taken directly to equity.

The UK corporation tax rate will increase from 19% to 25% from 1 April 2023. This change has been substantively enacted at the balance sheet date and is therefore incorporated into the amounts contained in this report.

10. Dividends

	2022 Pence per share	2022 £m	2021 Pence per share	2021 £m
Amounts recognised as distributions in the year:				
Final dividend for the prior year	–	–	–	–
Interim dividend for the current year	0.4	5.7	–	–
	0.4	5.7	–	–
Proposed final dividend for the year ended 31 March	1.4	19.5	–	–

Dividends are recognised as distributions in the year in which they are paid. Subject to approval at the Annual General Meeting on 26 July 2022, the final dividend for the year ended 31 March 2022 will be paid on 5 August 2022 to holders on the register on 24 June 2022. The ordinary shares will be quoted ex-dividend on 23 June 2022.

Notes to the consolidated financial statements continued

For the year ended 31 March 2022

II. Earnings per share

The calculation of the basic and diluted EPS is based on the following data:

	2022			Restated ^{1,2} 2021		
	From continuing operations £m	From discontinued operations £m	Total Group £m	From continuing operations £m	From discontinued operations £m	Total Group £m
Net profit before other items attributable to owners of the parent	128.1	2.4	130.5	33.2	4.7	37.9
Other items net of tax ³	(96.8)	17.0	(79.8)	(47.3)	2.5	(44.8)
Net profit/(loss) attributable to owners of the parent	31.3	19.4	50.7	(14.1)	7.2	(6.9)

Notes:

1. The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations for the year ended 31 March 2021 have been re-presented within discontinued operations. Refer to Note 5.
2. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
3. Other items are as described in Note 4.

	2022 million	2021 million
Number of shares		
Weighted average number of ordinary shares for the purpose of basic EPS ¹	1,395.4	1,082.5
Effect of dilutive potential ordinary shares ²	143.2	—
Weighted average number of ordinary shares for the purpose of diluted EPS ^{1,2}	1,538.6	1,082.5

Notes:

1. The weighted average number of ordinary shares in issue during the year excludes those accounted for in the own shares reserve.
2. The dilutive potential ordinary shares relate to instruments that could potentially dilute basic earnings per share in the future, such as share-based payments. At 31 March 2022, no shares (2021: 70.2 million shares) have been excluded from the diluted weighted average number of ordinary shares. The diluted loss or earnings per share uses the weighted average number of shares adjusted for potentially dilutive ordinary shares, unless it has the effect of decreasing the loss, or increasing the earnings, per share from continuing operations. The Group made a loss from continuing operations in the year ended 31 March 2021, hence the diluted loss per share needs to be the same amount as the basic loss per share.

	2022			Restated ^{1,2} 2021		
	From continuing operations pence per share	From discontinued operations pence per share	Total Group pence per share	From continuing operations pence per share	From discontinued operations pence per share	Total Group pence per share
Basic earnings before other items ³	9.2	0.2	9.4	3.1	0.4	3.5
Basic earnings/(loss)	2.2	1.4	3.6	(1.3)	0.7	(0.6)
Diluted earnings before other items ³	8.3	0.2	8.5	3.1	0.4	3.5
Diluted earnings/(loss)	2.0	1.3	3.3	(1.3)	0.7	(0.6)

Notes:

1. The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations for the year ended 31 March 2021 have been re-presented within discontinued operations. Refer to Note 5.
2. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
3. Other items are as described in Note 4.

12. Goodwill

	£m
Cost	
At 1 April 2020	311.4
Arising on business combinations ¹	15.9
At 31 March 2021 ¹	327.3
Arising on business combinations ²	22.3
Disposal of businesses ³	(15.8)
At 31 March 2022	333.8
Accumulated impairment losses	
At 1 April 2020	32.5
At 31 March 2021	32.5
At 31 March 2022	32.5
Net book value	
At 31 March 2022	301.3
At 31 March 2021 ¹	294.8

Notes:

- The comparatives as at 31 March 2021 have been restated for measurement period adjustments in respect of the Interserve acquisition, with the goodwill arising on the Interserve acquisition increasing from £3.3m to £15.9m. Refer to Note 2 and Note 30.
- The Group acquired DAEL, Rock, Biotechure and Esoteric during the year ended 31 March 2022. Refer to Note 30.
- The Group disposed of the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The goodwill disposed was £14.4m and £1.4m respectively. Refer to Note 5.

Goodwill impairment testing

Mitie has reorganised its business during the year ended 31 March 2022 and the determination of CGUs has been updated accordingly to meet the criteria laid out by IAS 36 Impairment of Assets. The information presented as at 31 March 2021 has been re-presented accordingly. Technical Services, Business Services, Communities, Landscapes and Central Government & Defence (CG&D) have been determined to be relevant CGUs for the year ended 31 March 2022, where goodwill has been attributed.

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The Group tests goodwill at least annually for impairment or more frequently if there are indicators that goodwill may be impaired.

A summary of the goodwill balances and the discount rates used to assess the forecast cash flows from each CGU are as follows:

	Pre-tax discount rate %	Goodwill 2022 £m	Goodwill ¹ 2021 £m
Technical Services	9.6%	105.9	86.5
Business Services	9.9%	105.1	118.8
Communities	10.3%	81.0	81.0
Landscapes	10.5%	6.6	5.8
CG&D	10.4%	2.7	2.7
Total		301.3	294.8

Notes:

- The comparatives as at 31 March 2021 have been restated as a result of the reorganisation of Mitie's business and for measurement period adjustments in respect of the Interserve acquisition, with the goodwill arising on the Interserve acquisition increasing from £3.3m to £15.9m. Refer to Note 2 and Note 30.
- Mitie's PFI and Healthcare operations have moved to Communities from Technical Services and Business Services respectively, with goodwill of £60.9m and £8.9m reallocated respectively. In addition, of the carrying value of goodwill allocated to Business and Industry (B&I) CGU, £1.2m and £0.8m has been allocated to the Business Services and Technical Services CGUs respectively. The comparatives as at 31 March 2021 have been restated accordingly.

Notes to the consolidated financial statements continued

For the year ended 31 March 2022

12. Goodwill continued

At 31 March 2021 under the previous organisational structure, the goodwill would have been allocated as follows:

	Goodwill ¹ 2021 £m
Technical Services	146.6
Business Services	126.5
Landscapes	5.8
CG&D	2.7
Communities	11.2
B&I	2.0
Total	294.8

Note:

1. The comparatives as at 31 March 2021 have been restated for measurement period adjustments in respect of the Interserve acquisition, with the goodwill arising on the Interserve acquisition increasing from £3.3m to £15.9m. Refer to Note 2 and Note 30.

Key assumptions

The recoverable amounts for each CGU are based on value-in-use which is derived from discounted cash flow calculations. The key assumptions applied in value-in-use calculations are those regarding forecast operating profits, growth rates and discount rates.

Forecast operating profits

For all CGUs, the Group prepared cash flow projections derived from the most recent forecasts for the year ending 31 March 2023 and the Group's medium-term strategic plan to 31 March 2027. Forecast revenue and direct costs are based on past performance and expectations of future changes in the market, operating model and cost base including the impact of inflation.

Growth rates and terminal values

Medium-term revenue growth rates applied to the value-in-use calculations of each CGU reflect management's strategy for a period of five years. Terminal values were determined using a long-term growth assumption of 2.0% (2021: 2.0%).

Discount rates

The pre-tax discount rates used to assess the forecast cash flows from CGUs are derived from the Group's post-tax weighted average cost of capital, which was 7.8% as at 31 March 2022 (2021: 9.1%). These rates are reviewed annually by external advisors and adjusted for the risks specific to the business being assessed and the market in which the CGU operates. All CGUs have the same access to the Group's treasury functions and borrowing lines to fund their operations.

Sensitivity analysis

A sensitivity analysis has been performed and management has concluded that no reasonably foreseeable change in the key assumptions would result in an impairment of the goodwill of any of the Group's CGUs. A further sensitivity analysis has also been performed and management has concluded that even in the downside scenario, no impairments would be required.

13. Other intangible assets

	Acquisition related				
	Customer contracts and relationships £m	Other £m	Total acquisition related £m	Restated ¹ Software and development expenditure £m	Restated ¹ Total £m
Cost					
At 1 April 2020	101.9	10.9	112.8	62.4	175.2
Additions	–	–	–	14.1	14.1
Arising on business combinations	219.3	3.4	222.7	–	222.7
Disposals	–	–	–	(14.5)	(14.5)
Effect of movements in exchange rates	(0.1)	–	(0.1)	(0.1)	(0.2)
At 31 March 2021	321.1	14.3	335.4	61.9	397.3
Additions	–	–	–	20.2	20.2
Arising on business combinations	8.4	–	8.4	–	8.4
Disposals	–	–	–	(8.8)	(8.8)
Reclassifications	–	(3.4)	(3.4)	3.4	–
Effect of movements in exchange rates	–	–	–	0.1	0.1
At 31 March 2022	329.5	10.9	340.4	76.8	417.2
Amortisation and impairment					
At 1 April 2020	87.0	10.5	97.5	32.8	130.3
Charge for the year	7.6	0.1	7.7	8.4	16.1
Impairments	–	–	–	4.4	4.4
Disposals	–	–	–	(14.4)	(14.4)
Effect of movements in exchange rates	(0.1)	–	(0.1)	–	(0.1)
At 31 March 2021	94.5	10.6	105.1	31.2	136.3
Charge for the year	19.4	0.1	19.5	7.7	27.2
Impairments	–	–	–	3.5	3.5
Disposals	–	–	–	(8.8)	(8.8)
Effect of movements in exchange rates	–	–	–	0.1	0.1
At 31 March 2022	113.9	10.7	124.6	33.7	158.3
Net book value					
At 31 March 2022	215.6	0.2	215.8	43.1	258.9
At 31 March 2021	226.6	3.7	230.3	30.7	261.0

Note:

1. The comparatives for software and development expenditure as at 1 April 2020, for the year ended 31 March 2021 and as at 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.

Customer contracts and relationships are amortised over their useful lives based on the period of time over which they are anticipated to generate benefits. These currently range over an average of nine years. Other acquisition related intangibles include acquired software and technology which are amortised over their useful lives which currently range from three to ten years.

Following a review of the carrying amount of intangible assets, an impairment of £3.5m has been recorded (2021: £4.4m), of which £2.7m (2021: £3.4m) is included within Other items. See Note 4.

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

14. Property, plant and equipment

Property, plant and equipment comprise owned and leased assets.

	2022 £m	2021 £m
Owned property, plant and equipment	29.9	24.3
Right-of-use assets (Note 26)	114.0	93.6
Total	143.9	117.9

The table below relates to owned property, plant and equipment.

	Land and buildings £m	Plant and vehicles £m	Total £m
Cost			
At 1 April 2020	16.1	49.1	65.2
Additions	–	7.6	7.6
Disposals	(5.1)	(3.3)	(8.4)
Arising on business combinations	0.8	4.3	5.1
Effect of movements in exchange rates	(0.1)	(0.2)	(0.3)
At 31 March 2021	11.7	57.5	69.2
Additions	–	15.4	15.4
Disposals	(2.5)	(11.8)	(14.3)
Arising on business combinations	–	1.3	1.3
Disposal of businesses	(0.2)	(4.1)	(4.3)
Effect of movements in exchange rates	–	(0.1)	(0.1)
At 31 March 2022	9.0	58.2	67.2
Accumulated depreciation and impairment			
At 1 April 2020	10.4	32.1	42.5
Charge for the year	1.2	7.0	8.2
Impairments	1.4	0.5	1.9
Disposals	(4.9)	(2.5)	(7.4)
Effect of movements in exchange rates	(0.1)	(0.2)	(0.3)
At 31 March 2021	8.0	36.9	44.9
Charge for the year	0.6	8.7	9.3
Disposals	(2.5)	(10.9)	(13.4)
Disposal of businesses	(0.1)	(3.8)	(3.9)
Effect of movements in exchange rates	0.3	0.1	0.4
At 31 March 2022	6.3	31.0	37.3
Net book value			
At 31 March 2022	2.7	27.2	29.9
At 31 March 2021	3.7	20.6	24.3

No impairment of property, plant and equipment has been recorded in the year ended 31 March 2022 (2021: £1.9m which was included within Other items).

15. Interests in joint ventures and associates

The Group has interests in joint ventures and associates, which are all equity accounted entities. Landmarc Support Services Limited (Landmarc UK) and Sussex Estates and Facilities LLP (Sussex) are equity accounted entities that were material to the Group. All equity accounted entities provide facilities management services. Details of all joint ventures and associates are provided in Note 37.

Interests in joint ventures and associates

	Ownership %	Nature of relationship	2022 £m	2021 £m
Landmarc UK	51	Joint venture	10.5	9.9
Sussex	35	Associate	0.7	0.5
Other		Joint ventures	0.7	0.6
At 31 March			11.9	11.0

	Landmarc UK ¹ £m	Sussex ¹ £m	Other ¹ £m	Group share of joint ventures and associates 2022 £m	Group share of joint ventures and associates 2021 £m
At 1 April	9.9	0.5	0.6	11.0	–
Arising on business combinations	–	–	–	–	10.7
Share of profit before other items	5.5	1.0	0.1	6.6	1.9
Share of profit – Other items ²	(2.4)	–	–	(2.4)	(1.2)
Share of other comprehensive income	0.7	–	–	0.7	0.4
Dividends	(3.2)	(0.8)	–	(4.0)	(0.8)
At 31 March	10.5	0.7	0.7	11.9	11.0

Notes:

1. Net assets/results of the entity multiplied by the respective proportion of the Group's ownership.
2. Share of profit – Other items relates to the amortisation of customer contracts and relationships arising on business combinations. See Note 4.

Summarised income statement (100%)

	2022				2021			
	Landmarc UK £m	Sussex £m	Other £m	Total £m	Landmarc UK £m	Sussex £m	Other £m	Total £m
Revenue -	164.6	24.0	2.2	190.8	50.6	7.3	2.8	60.7
Share of revenue of joint ventures and associates	84.0	8.4	1.1	93.5	25.8	2.6	1.4	29.8
Depreciation and amortisation ¹	(0.9)	–	–	(0.9)	(0.3)	–	–	(0.3)
Operating profit	13.3	2.8	0.2	16.3	3.8	0.7	0.1	4.6
Finance income	0.1	–	–	0.1	–	–	–	–
Tax	(2.5)	–	–	(2.5)	(0.7)	–	–	(0.7)
Profit for the year	10.9	2.8	0.2	13.9	3.1	0.7	0.1	3.9
Other comprehensive income	1.3	–	–	1.3	0.9	–	–	0.9
Total comprehensive income (100%)	12.2	2.8	0.2	15.2	4.0	0.7	0.1	4.8

Note:

1. Excluding the amortisation of customer contracts and relationships arising on business combinations. The Group's share is £2.4m (2021: £1.2m) included within Other items. See Note 4.

Notes to the consolidated financial statements continued

For the year ended 31 March 2022

15. Interests in joint ventures and associates continued

Summarised balance sheet (100%)

	2022				2021			
	Landmarc UK £m	Sussex £m	Other £m	Total £m	Landmarc UK £m	Sussex £m	Other £m	Total £m
Non-current assets ¹	10.7	–	–	10.7	12.5	–	–	12.5
Current assets	41.3	8.9	5.1	55.3	29.0	6.3	7.5	42.8
Current liabilities	(31.4)	(7.0)	(3.6)	(42.0)	(22.1)	(4.8)	(6.3)	(33.2)
Net assets (100%)	20.6	1.9	1.5	24.0	19.4	1.5	1.2	22.1
Share of net assets	10.5	0.7	0.7	11.9	9.9	0.5	0.6	11.0
The above includes the following:								
Cash and cash equivalents (100%)	28.7	7.4	0.4	36.5	24.1	4.6	0.3	29.0

Note:

1. Non-current assets include customer contracts and relationships recognised as a result of the acquisition of Interserve. The Group's 51% share of the customer relationships was £3.6m as at 30 November 2020, which has been fully amortised at 31 March 2022 following an amortisation charge of £2.4m (2021: £1.2m) recorded in Other items. See Note 4.

The Group is not aware of any material commitments in respect of its interests in joint ventures and associates. Landmarc Gulf Consultancy Management LLC, an immaterial joint venture, had provided a guarantee and indemnity in the ordinary course of business in respect of performance, issued by a financial institution on its behalf, amounting to £1.5m (AED 7.4m) as at 31 March 2021 and this was released during the year ended 31 March 2022. There are no significant restrictions on the ability to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group.

16. Trade and other receivables

	2022 £m	Restated ¹ 2021 £m
Trade receivables	386.3	362.4
Accrued income	239.7	208.7
Prepayments	30.4	27.0
Other receivables ²	55.4	89.0
Total	711.8	687.1
Included in current assets	704.0	678.8
Included in non-current assets	7.8	8.3
Total	711.8	687.1

Notes:

1. The comparatives as at 31 March 2021 have been restated for measurement period adjustments in respect of the Interserve acquisition. Refer to Note 2 and Note 30.
2. At 31 March 2022 other receivables included the £6.0m (2021 restated: £52.7m) which represented management's best estimate of the amount expected to be recovered by the Group through the completion accounts and other SPA mechanisms on the Interserve acquisition. At 31 March 2021 it was disclosed that the outcome of the completion accounts process was inherently uncertain, given that the SPA terms related to the completion accounts mechanism were complex, and the completion accounts would be the subject of a commercial negotiation and, in the absence of agreement, an expert determination process, and the final amount agreed could therefore be materially different from the estimate. The completion accounts process, including commercial negotiations and expert determination, has since been concluded. Following the expert's determination, for which the expert sought a legal opinion in relation to the interpretation of the complex SPA requirements, an agreement was reached for the seller to pay £7.1m to the Group, of which £1.1m was settled during the second half of the year ended 31 March 2022 and £6.0m was settled in May 2022. See Note 30.

Trade receivables at 31 March 2022 represent 28 days credit on sales (2021: 30 days).

The Group makes use of a non-recourse customer invoice discounting facility under which certain trade receivable balances are sold to the Group's relationship banks. As these trade receivables are sold without recourse, the Group has derecognised them, and so they are not included within trade receivables. The Group has reduced the amount of invoice discounting from £51.7m as at 31 March 2021 to £44.5m as at 31 March 2022.

Management considers that the carrying amount of trade and other receivables approximates their fair value.

Information about the Group's exposure to credit risk and its loss allowance against the balance of trade receivables and accrued income, is provided in Note 25.

17. Contract assets

	Pre-contract costs £m	Contract fulfilment costs £m	Total £m
At 1 April 2020	1.5	3.3	4.8
Additions	0.7	0.1	0.8
Amortisation	(0.8)	(0.9)	(1.7)
At 31 March 2021	1.4	2.5	3.9
Additions	0.1	0.9	1.0
Amortisation	(0.8)	(0.9)	(1.7)
At 31 March 2022	0.7	2.5	3.2
Included in current assets	0.6	1.0	1.6
Included in non-current assets	0.1	1.5	1.6
Total	0.7	2.5	3.2

Contract assets are amortised on a straight-line basis over the contract life which is consistent with the transfer of services to the customer to which the asset relates. Management has determined that no impairment of contract assets is required as at 31 March 2022 (2021: £nil).

18. Inventories

	2022 £m	2021 £m
Consumables	11.9	12.7
Total	11.9	12.7

19. Trade and other payables

	2022 £m	Restated ¹ 2021 £m
Trade payables	134.8	131.4
Other taxes and social security	117.7	122.6
Other payables ²	57.2	32.7
Accruals	534.3	415.6
Total	844.0	702.3
Included in current liabilities	841.2	701.8
Included in non-current liabilities ³	2.8	0.5
Total	844.0	702.3

Notes:

1. The comparatives as at 31 March 2021 have been restated for measurement period adjustments in respect of the Interserve acquisition. Refer to Note 2 and Note 30.
2. As at 31 March 2022, £20.0m cash (2021: £nil) was held across the Group's bank accounts in respect of the CID facility, where cash collected from the Group's customers was held on trust for the CID facility provider. This cash was subsequently remitted to the CID facility provider by 5 April 2022 and is included within current other payables at 31 March 2022.
3. Non-current other payables mainly comprise contingent consideration and performance-based employment-linked earnouts arising on the acquisitions of Rock, Esoteric and Biotecture. Refer to Note 30.

Trade creditors at 31 March 2022 represent 23 days credit on trade purchases (2021 restated: 26 days).

Management considers that the carrying amount of trade and other payables approximates their fair value.

Notes to the consolidated financial statements continued

For the year ended 31 March 2022

20. Deferred income

The significant changes in deferred income are as follows:

	2022 £m	Restated ¹ 2021 £m
At 1 April	114.9	51.5
Revenue recognised that was included in the deferred income balance at the beginning of the year	(58.6)	(45.2)
Increase due to cash received, excluding amounts recognised as revenue during the year	56.1	48.9
Arising on business combinations	3.7	59.7
At 31 March	116.1	114.9
Included within current liabilities	83.5	84.8
Included within non-current liabilities	32.6	30.1
Total	116.1	114.9

Note:

1. The comparatives as at 31 March 2021 have been restated for measurement period adjustments in respect of the Interserve acquisition. Refer to Note 2 and Note 30.

For any amounts which do not relate to specific contractual performance obligations, the income is deferred to the balance sheet and amortised over the period in which the contracted services are delivered to the customer.

21. Provisions

	Contract specific costs £m	Insurance reserve £m	Pension £m	Dilapidations £m	Restructuring £m	Other £m	Total £m
At 31 March 2021 (as reported)	54.1	27.9	23.8	5.9	2.2	2.5	116.4
Measurement period adjustments ¹	6.4	0.7	–	(0.3)	–	0.4	7.2
At 31 March 2021 ¹	60.5	28.6	23.8	5.6	2.2	2.9	123.6
Additional provisions in the year	6.3	7.1	–	1.3	0.6	0.6	15.9
Released to the income statement	(1.0)	–	–	(0.1)	–	–	(1.1)
Utilised in the year	(9.5)	(9.7)	(0.1)	(0.3)	(0.9)	(0.9)	(21.4)
At 31 March 2022	56.3	26.0	23.7	6.5	1.9	2.6	117.0
Included in current liabilities	19.3	7.8	23.7	0.9	0.4	2.6	54.7
Included in non-current liabilities	37.0	18.2	–	5.6	1.5	–	62.3
Total	56.3	26.0	23.7	6.5	1.9	2.6	117.0

Note:

1. The comparatives as at 31 March 2021 have been restated for measurement period adjustments in respect of the Interserve acquisition. Refer to Note 2 and Note 30.

Contract specific costs

Contract specific costs provision of £56.3m (2021 restated: £60.5m) comprise onerous contract provisions of £13.2m (2021 restated: £17.6m) and other contract specific provisions of £43.1m (2021 restated: £42.9m).

Other onerous contract provisions are made where the forecast direct costs of completing a contract exceed the forecast income from the contract. The main contracts these provisions relate to are certain long-term PFI contracts. It is expected that the majority of these provisions will be utilised over a number of years. Given the long-term nature of these contracts, the calculation of onerous contract provisions is a key source of estimation uncertainty. Key judgements used in the calculation of the provision and sensitivity to change in assumptions are set out in Note 2. The Group utilised £5.0m in the year with respect to onerous contract provisions.

Contract specific provisions have been made primarily to cover remedial and rectification costs required to meet clients' contract terms, and include a £14.7m provision relating to a significant liability risk on a certain contract which is subject to dispute, a £6.4m provision relating to a commercial settlement dispute for a certain contract, and £3.9m relating to costs of rectification works associated with certain property maintenance contracts of the discontinued Social Housing business. The value of these provisions reflects the single most likely outcome and is expected to be utilised over a maximum period of eight years. The remaining provision relates to other potential commercial claims and rectification work for other contracts. During the year the Group utilised £4.5m of the contract specific provisions.

21. Provisions continued

Insurance reserve

The Group retains a portion of the exposure in relation to insurance policies for employer liabilities and motor and fleet liabilities. Judgement is involved in assessing outstanding liabilities, the ultimate cost and timing of which cannot be known with certainty at the balance sheet date. The provision includes claims incurred but not yet reported and is based on information available at the balance sheet date. The provision is expected to be utilised over five years.

The insurance reserve of £26.0m is presented gross of a insurer reimbursement asset of £6.5m (2021: £8.2m), which represents the amount the Group is virtually certain to recover for claims under its insurance policies. The asset is presented as non-current other receivables.

Pension

The pension provision balance at 31 March 2022 includes £21.7m for Section 75 employer debt liabilities of Robert Prettie & Co Limited and Mitie FM Limited as a result of their participation in the Plumbing Scheme. This amount has been recorded as a current provision, however timing of outflows is dependent on agreement with the trustee of the Plumbing Scheme and may occur over a longer period than one year. See Note 32.

Dilapidations

The provision for dilapidations relates to the legal obligation for leased properties to be returned to the landlord in the contracted condition at the end of the lease period. This cost would include repairs of any damage and wear and tear and is expected to be utilised in the next five years.

Restructuring

The restructuring provision relates to unavoidable costs of the organisational change associated with the Group's property transformation programme that are explicitly excluded from the measurement of lease liabilities in accordance with IFRS 16. The amount is expected to be utilised over the next four years.

22. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon:

	Losses £m	Accelerated capital allowances £m	Retirement benefit liabilities £m	Intangible assets acquired £m	Share options £m	Short-term timing differences £m	Total ¹ £m
At 1 April 2020	11.7	5.7	12.7	(2.9)	0.4	2.1	29.7
Arising on business combinations	18.3	10.9	0.6	(41.5)	–	0.9	(10.8)
(Charge)/credit to income statement	(0.2)	(0.9)	(2.1)	1.5	1.7	(0.2)	(0.2)
Credit to equity and other comprehensive income	–	–	1.0	–	–	0.1	1.1
At 31 March 2021	29.8	15.7	12.2	(42.9)	2.1	2.9	19.8
Arising on business combinations	–	(0.2)	–	(2.0)	–	–	(2.2)
Disposal of subsidiary undertakings	–	(0.4)	–	–	–	–	(0.4)
(Charge)/credit to income statement	4.3	(1.6)	(5.8)	(7.8)	4.6	4.1	(2.2)
(Charge)/credit to equity and other comprehensive income	–	–	(3.8)	–	(0.2)	0.1	(3.9)
At 31 March 2022	34.1	13.5	2.6	(52.7)	6.5	7.1	11.1

Note:

1. Deferred tax liabilities of £52.7m (2021: £40.4m) are offset against deferred tax assets as they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis. Deferred tax liabilities of £9.7m, related to Interserve, as disclosed at 31 March 2021 have been netted off against deferred tax assets in the restated balance sheet. Refer to Note 2.

The Group has unutilised income tax losses of £223.5m (2021: £243.8m) that are available for offset against future profits. A deferred tax asset has been recognised in respect of £136.3m (2021: £156.3m) of these losses to the extent that it is probable that taxable profits will be generated in the future and be available for utilisation. All losses may be carried forward indefinitely. Deferred tax has been calculated using tax rates that were substantively enacted at the balance sheet date. Refer to Note 9.

Notes to the consolidated financial statements continued

For the year ended 31 March 2022

23. Cash and cash equivalents

	2022 £m	2021 £m
Cash and cash equivalents	345.2	196.2

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The Group operates cash-pooling arrangements with certain banks for cash management purposes.

As at 31 March 2022, included within cash and cash equivalents is £17.5m (2021: £18.7m) which is subject to various constraints on the Group's ability to utilise these balances. These constraints primarily relate to amounts held in project bank accounts and cash held through a joint operation, where cash is not available for use by the Group.

As at 31 March 2022, £20.0m cash (2021: £nil) was held across the Group's bank accounts in respect of the CID facility, where cash collected from the Group's customers was held on trust for the CID facility provider. This cash was subsequently remitted to the CID facility provider by 5 April 2022 and has not been categorised as restricted cash.

The carrying amount of the assets approximates their fair value.

24. Financing liabilities

	2022 £m	2021 £m
Bank loans – under committed facilities	7.1	6.6
Private placement notes ¹	171.0	165.4
Lease liabilities (Note 26)	122.5	106.8
Total	300.6	278.8
Included in current liabilities	171.1	28.7
Included in non-current liabilities ¹	129.5	250.1
Total	300.6	278.8

Note:

1. As at 31 March 2021, £0.1m of foreign exchange forward contracts were included in non-current financing liabilities.

In October 2021, the Group signed a new £150m revolving credit facility and terminated the existing £250m facility. The new facility expires in October 2025 (with an option to extend a further year, subject to lenders' approval), and is on significantly more favourable terms. As a result, the remaining capitalised arrangement fees of £1.0m for the previous facility have been written off and recorded in the consolidated income statement as finance costs.

In November 2021, the Group agreed, under a delayed funding arrangement, the issue of £120.0m of new US private placement notes in December 2022, avoiding any overlap with the existing £121.5m of notes that mature in the same month. The new notes are split equally between 8, 10 and 12 year maturities, and will be issued with an average coupon of 2.94% which is considerably below the current coupon.

The revolving credit facility and the US private placement notes are unsecured but have financial and non-financial covenants and obligations commonly associated with these arrangements. The Group was in compliance with these covenants as at 31 March 2022 and hence all amounts are classified in line with repayment dates.

At 31 March 2022, the Group had available £141.5m (2021: £241.4m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Details of the Group's contingent liabilities are provided in Note 34. The weighted average interest rates paid during the year were as follows:

	2022 %	2021 %
Bank loans	2.4	1.3
Private placement notes	4.0	4.0

Private placement notes

The Group issued US\$153.0m and £55.0m of PP notes on 13 December 2012. The PP notes are unsecured and rank pari passu with other senior unsecured indebtedness of the Group. In order to manage the risk of foreign currency fluctuations and the Group's finance costs, the Group has entered into cross-currency interest rate swaps. The swap contracts have the same duration and other critical terms as the borrowings and are considered to be highly effective. The amount, maturity and interest terms of these PP notes as at 31 March 2022 are shown below.

Tranche	Maturity date	Amount	Interest terms	Swap interest
10 year	16 December 2022	US\$76.0m	US\$ fixed at 3.85%	£ fixed at 4.05%
10 year	16 December 2022	US\$77.0m	US\$ fixed at 3.85%	£ fixed at 4.02%
10 year	16 December 2022	£25.0m	£ fixed at 3.87%	n/a
12 year	16 December 2024	£30.0m	£ fixed at 4.04%	n/a

25. Financial instruments

Classification

The Group's principal financial assets are cash and cash equivalents, trade receivables, accrued income, other receivables and derivative financial instruments. The Group's principal financial liabilities are financing liabilities, trade payables, accruals and other payables.

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

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

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from other observable inputs for the asset or liability;
- Level 3 fair value measurements are those derived from valuation techniques using inputs that are not based on observable market data.

The following table comprises the Group's financial assets and financial liabilities:

	2022 £m	Restated ¹ 2021 £m
Held at amortised cost		
Cash and cash equivalents	345.2	196.2
Trade receivables	386.3	362.4
Accrued income	239.7	208.7
Other receivables	48.7	36.3
Financing liabilities	(300.6)	(278.8)
Trade payables	(134.8)	(131.4)
Other payables	(54.4)	(32.7)
Accruals	(534.3)	(415.6)
Held at fair value through profit and loss		
Other receivables ²	6.0	52.7
Other payables ³	(2.8)	–
Held at fair value through other comprehensive income		
Other receivables ⁴	0.7	–
Derivative financial instruments hedging private placement notes	19.6	14.5

Notes:

- The comparatives as at 31 March 2021 have been restated for measurement period adjustments in respect of the Interserve acquisition. Refer to Note 2 and Note 30.
- At 31 March 2022 other receivables included the £6.0m (2021 restated: £52.7m) which represented management's best estimate of the amount expected to be recovered by the Group through the completion accounts and other SPA mechanisms on the Interserve acquisition. At 31 March 2021 it was disclosed that the outcome of the completion accounts process was inherently uncertain, given that the SPA terms related to the completion accounts mechanism were complex, and the completion accounts would be the subject of a commercial negotiation and, in the absence of agreement, an expert determination process, and the final amount agreed could therefore be materially different from the estimate. The completion accounts process, including commercial negotiations and expert determination, has since been concluded. Following the expert's determination, for which the expert sought a legal opinion in relation to the interpretation of the complex SPA requirements, an agreement was reached for the seller to pay £7.1m to the Group, of which £6.0m remained receivable at 31 March 2022. See Note 30.
- Other payables held at fair value through the profit and loss at 31 March 2022 mainly comprise contingent consideration and performance-based employment-linked earnouts arising on the acquisitions of Rock, Esoteric, Biotecture. Refer to Note 30.
- At 31 March 2022, £0.7m (2021: £nil) was recognised relating to a defined benefit reimbursement asset. See Note 32.

Derivative financial instruments are considered to fall into Level 2 and the fair values are estimated by discounting expected future cashflows incorporating various inputs including interest rate curves and forward rates from third party sources.

As at 31 March 2022, the £6.0m other receivable in relation to the Interserve acquisition arising from the outcome of the completion accounts process, including commercial negotiation and expert determination, was considered to fall into Level 1. At 31 March 2021 the restated £52.7m other receivable in relation to the Interserve acquisition had been considered to fall into Level 3. There have been no other transfers between levels during the year.

Certain other payables, which fall into level 3, comprise deferred consideration and performance-based employment-linked earnouts of £2.8m on the acquisitions of Rock, Esoteric and Biotecture. The fair value has been determined based on management's best estimate of achieving future targets to which the consideration and earnouts are linked. The most significant unobservable input used in the fair value measurements is the future forecast performance of the acquired businesses.

Notes to the consolidated financial statements continued

For the year ended 31 March 2022

25. Financial instruments continued

Risk management objectives

The Group's treasury department monitors and manages the financial risks relating to the operations of the Group. These risks include those arising from interest rates, foreign currencies, liquidity, credit and capital management. The Group seeks to minimise the effects of these risks by using effective control measures and, where appropriate, derivative financial instruments to hedge certain risk exposures. The use of financial derivatives is governed by Group policies and reviewed regularly. Group policy is to not trade in financial instruments. The risk management policies remain unchanged from the previous year.

Interest rate risk

The Group's activities expose it to the financial risks of interest rates. The Group's treasury function reviews its risk management strategy on a regular basis and will, as appropriate, enter into derivative financial instruments in order to manage interest rate risk.

Interest rate sensitivity

The interest rate sensitivity has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. All financial liabilities, other than financing liabilities, are interest free.

If underlying interest rates had been 0.5% higher and all other variables were held constant, the Group's profit after tax for the year ended 31 March 2022 and reserves would increase by £0.1m (2021: £0.2m).

Foreign currency risk

The Group has limited exposure to transactional foreign currency risk from trading transactions in currencies other than the functional currency of individual group entities and some exposure to translational foreign currency risk from the translation of its foreign operations. The Group considers the need to hedge its exposures as appropriate and will enter into forward foreign exchange contracts to mitigate any significant risks.

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

At 31 March 2022 £26.4m (2021: £24.5m) of cash and cash equivalents were held in foreign currencies. Included in bank loans were £8.5m (2021: £8.6m) of loans denominated in foreign currency.

Liquidity risk

The Group monitors its liquidity risk using a cash flow projection model which considers the maturity of the Group's assets and liabilities and the projected cash flows from operations. Bank loans under committed facilities, which allow for appropriate headroom in the Group's daily cash movements, are then arranged. Details of the Group's bank facility can be found in Note 24.

The tables below summarise the maturity profile (including both undiscounted interest and principal cash flows) of the Group's financial liabilities:

Financial liabilities at 31 March 2022	Within one year £m	In the second to fifth years £m	After five years £m	Total £m
Trade payables	134.8	–	–	134.8
Other payables	54.4	2.8	–	57.2
Accruals	534.3	–	–	534.3
Financing liabilities	189.6	111.6	24.4	325.6
Financial liabilities	913.1	114.4	24.4	1,051.9
Financial liabilities at 31 March 2021 – Restated ¹	Within one year £m	In the second to fifth years £m	After five years £m	Total £m
Trade payables	131.4	–	–	131.4
Other payables	32.7	–	–	32.7
Accruals	415.6	–	–	415.6
Financing liabilities	49.4	238.2	22.6	310.2
Financial liabilities ²	629.1	238.2	22.6	889.9

Notes:

- The comparatives as at 31 March 2021 have been restated for measurement period adjustments in respect of the Interserve acquisition. Refer to Note 2 and Note 30.
- Financial liabilities maturity profile is exclusive of the £19.6m (2021: £14.5m) derivative net assets which would naturally offset the settlement value of the maturing private placement notes in financing liabilities.

25. Financial instruments continued

Credit risk

The Group's credit risk is monitored on an ongoing basis and formally reported quarterly. The value of business placed with financial institutions is reviewed on a daily basis.

The Group's credit risk on liquid funds and derivative financial instruments is limited because the external counterparties are banks with high credit ratings assigned by international credit rating agencies and are managed through regular review.

The maximum exposure to credit risk in relation to derivatives at the balance sheet date is £19.6m (2021: £14.5m), being predominantly the fair value of interest rate swaps. The maximum exposure to credit risk on cash and cash equivalents at the balance sheet date is £345.2m (2021: £196.2m).

The Group's credit risk is primarily attributable to its receivable balances from customers. Before accepting a new customer, the Group uses external credit scoring systems to assess the potential customer's credit quality and define an appropriate credit limit which is reviewed regularly.

The maximum exposure to credit risk in relation to trade receivables and accrued income at the balance sheet date is the fair value of trade receivables and accrued income. The Group's customer base is large and unrelated and, accordingly, the Group does not have a significant concentration of credit risk with any one counterparty or group of counterparties.

The amounts presented in the consolidated balance sheet in relation to the Group's trade receivables and accrued income balances are presented net of loss allowances. The Group performs an impairment analysis at each reporting period and measures loss allowances at an amount equal to lifetime expected credit losses (ECLs) using both quantitative and qualitative information and analysis based on the Group's historical experience, and forward-looking information.

The following tables provide information about the Group's exposure to credit risk and ECLs against customer balances:

	31 March 2022			31 March 2021		
	Gross carrying amount £m	Loss allowance £m	Net carrying amount £m	Gross carrying amount £m	Loss allowance £m	Net carrying amount £m
Trade receivables						
Current (not overdue)	363.4	(1.3)	362.1	333.0	(5.6)	327.4
1-30 days overdue	16.4	(0.1)	16.3	10.8	(0.1)	10.7
31-60 days overdue	5.4	(0.1)	5.3	17.9	(0.1)	17.8
61-90 days overdue	1.6	(0.1)	1.5	4.6	(0.1)	4.5
More than 90 days overdue	11.4	(10.3)	1.1	6.6	(4.6)	2.0
Total	398.2	(11.9)	386.3	372.9	(10.5)	362.4
	31 March 2022			31 March 2021		
	Gross carrying amount £m	Loss allowance £m	Net carrying amount £m	Gross carrying amount £m	Loss allowance £m	Net carrying amount £m
Accrued income						
1-30 days overdue	202.6	(2.8)	199.8	181.2	(3.6)	177.6
31-60 days overdue	16.6	(0.1)	16.5	13.5	(0.3)	13.2
61-90 days overdue	9.4	(0.4)	9.0	5.8	(0.4)	5.4
More than 90 days overdue	21.2	(6.8)	14.4	19.0	(6.5)	12.5
Total	249.8	(10.1)	239.7	219.5	(10.8)	208.7

The following table provides the movement in the allowance for impairment in respect of trade receivables and accrued income:

	2022 £m		2021 £m	
	Trade receivables	Accrued income	Trade receivables	Accrued income
At 1 April	10.5	10.8	3.9	5.2
Impairment losses recognised ¹	1.5	0.6	6.6	5.6
Reversal of impairment	–	(1.3)	–	–
Disposal of businesses	(0.1)	–	–	–
At 31 March	11.9	10.1	10.5	10.8

Note:

1. Impairment losses of £4.8m and £1.2m were netted against gross receivables at 31 March 2021 in relation to trade receivables and accrued income respectively on the acquisition of Interserve, and have been re-presented to provide further clarity and comparability.

Notes to the consolidated financial statements continued

For the year ended 31 March 2022

25. Financial instruments continued

Capital management risk

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity. The capital structure of the Group consists of net debt per Note 27 and equity per the consolidated statement of changes in equity. The Group is not subject to externally imposed regulatory capital requirements.

Hedging activities

Derivative financial instruments – cash flow hedges

The Group holds a number of cross-currency interest rate swaps designated as cash flow hedges on US\$153m of private placement notes. Biannual fixed interest cash flows denominated in US dollars arising over the periods to December 2022 from the US Private Placement market are exchanged for fixed interest cash flows denominated in pounds sterling.

A fair value gain of £5.1m (2021: £13.7m loss) was recognised in other comprehensive income during the year. All cash flow hedges were assessed as being highly effective as at 31 March 2022 and no amounts (2021: £nil) relating to hedge ineffectiveness were recognised in profit or loss during the year.

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

	Hedging instrument		Hedged item	
	Cross-currency interest rate swaps £m	Forward foreign ¹ exchange contracts £m	Total £m	US\$ private placement notes £m
At 1 April 2021	14.6	(0.1)	14.5	(110.3)
Movements in cash flow hedges	5.0	0.1	5.1	(5.6)
At 31 March 2022	19.6	–	19.6	(115.9)

	Hedging instrument		Hedged item	
	Cross-currency interest rate swaps £m	Forward foreign ¹ exchange contracts £m	Total £m	US\$ private placement notes £m
At 1 April 2020	28.2	–	28.2	(122.9)
Movements in cash flow hedges	(13.6)	(0.1)	(13.7)	12.6
At 31 March 2021	14.6	(0.1)	14.5	(110.3)

Note:

1. At 31 March 2021, £0.1m of forward foreign exchange contracts were included in non-current financing liabilities on the consolidated balance sheet.

Hedge of net investment in foreign operations

Included in bank loans at 31 March 2022 was a borrowing of €9.5m (2021: €9.5m) which has been designated as a hedge of the net investment in the Republic of Ireland business of Mitie Technical Facilities Management Limited, and is being used to hedge the Group's exposure to foreign exchange risk on this investment. Gains or losses on the translation of the borrowing are transferred to other comprehensive income to offset gains or losses on the translation of the net investment.

26. Leases

	Properties £m	Plant and vehicles £m	Total £m
Right-of-use assets			
At 1 April 2020	43.3	44.8	88.1
Additions	0.4	23.7	24.1
Arising on business combinations	6.6	6.9	13.5
Impairment	(7.4)	–	(7.4)
Modifications to lease terms	–	1.5	1.5
Depreciation	(5.7)	(20.5)	(26.2)
At 31 March 2021	37.2	56.4	93.6
Additions	15.4	33.8	49.2
Arising on business combinations	0.5	0.2	0.7
Disposal of businesses	(1.5)	–	(1.5)
Impairment	(0.2)	–	(0.2)
Modifications to lease terms and disposals	(2.8)	7.3	4.5
Depreciation	(6.3)	(26.0)	(32.3)
At 31 March 2022	42.3	71.7	114.0
Lease liabilities		2022 £m	2021 £m
At 1 April		106.8	93.8
Additions		48.9	25.4
Arising on business combinations		0.7	14.2
Disposal of businesses		(1.5)	–
Modifications to lease terms and disposals		1.5	1.5
Interest expense related to lease liabilities		4.0	3.3
Repayment of lease liabilities (including interest)		(37.9)	(31.4)
At 31 March		122.5	106.8
Maturity analysis – contractual undiscounted cash flows		2022 £m	2021 £m
Less than one year		33.8	31.9
One to five years		76.8	63.3
More than five years		24.4	22.6
Total undiscounted lease liabilities		135.0	117.8
Lease liabilities in the consolidated balance sheet		122.5	106.8
Current		30.1	28.7
Non-current		92.4	78.1
Amounts recognised in the consolidated income statement		2022 £m	2021 £m
Depreciation of right-of-use assets		(32.3)	(26.2)
Short-term lease expense		(1.1)	(1.9)
Low-value lease expense		(0.1)	(0.1)
Operating profit impact		(33.5)	(28.2)
Interest on lease liabilities		(4.0)	(3.3)
Profit before taxation impact		(37.5)	(31.5)
Amounts recognised in the consolidated statement of cash flows		2022 £m	2021 £m
Total cash outflow for capitalised leases ¹		37.9	31.4

Note:

1. Includes capital element of lease rental payments of £33.9m (2021: £28.1m) and interest payments of £4.0m (2021: £3.3m).

Notes to the consolidated financial statements continued

For the year ended 31 March 2022

27. Analysis of net debt

	2022 £m	2021 £m
Cash and cash equivalents (Note 23)	345.2	196.2
Adjusted for: restricted cash and cash held on trust ¹	(37.5)	(18.7)
Bank loans (Note 24)	(7.1)	(6.6)
Private placement notes ² (Note 24)	(171.0)	(165.4)
Derivative financial instruments hedging private placement notes (Note 25)	19.6	14.6
Net cash before lease obligations	149.2	20.1
Lease liabilities (Note 26)	(122.5)	(106.8)
Net cash/(debt)	26.7	(86.7)

Notes:

- As at 31 March 2022, £20.0m cash (2021: £nil) was held across the Group's bank accounts in respect of the CID facility, where cash collected from the Group's customers was held on trust for the CID facility provider. This cash was subsequently remitted to the CID facility provider by 5 April 2022.
- Including £nil (2021: £0.1m) of forward foreign exchange contracts.

28. Share capital and share premium

	Ordinary shares		Share capital		Share premium	
	2022 Number million	2021 Number million	2022 £m	2021 £m	2022 £m	2021 £m
At 1 April	1,427.2	373.7	35.6	9.3	130.6	130.6
Issue of shares	5.3	–	0.1	–	–	–
Rights issue (see Note 33)	–	805.1	–	20.1	–	–
Interserve acquisition (see Note 30)	–	248.4	–	6.2	–	–
At 31 March	1,432.5	1,427.2	35.7	35.6	130.6	130.6

Shares were issued during the year to satisfy employee share schemes.

Each allotted and fully paid ordinary share of 2.5 pence is a voting share in the capital of the Company, is entitled to participate in the profits of the Company, and on a winding-up is entitled to participate in the assets of the Company. The Company has one class of ordinary shares, which carry no right to fixed income.

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

29. Reserves

Merger reserve

The merger reserve represents amounts relating to premiums arising on shares issued subject to the provisions of Section 612 of the Companies Act 2006. In the year ended 31 March 2021 merger reserve increased by £261.7m, of which £173.3m related to the rights issue (See Note 33) and £88.4m related to the issue of shares to acquire Interserve (See Note 30), partially offset by £3.0m of rights issue expenses.

Own shares reserve

The Group uses shares held in the Employee Benefit Trust (EBT) to satisfy conditional awards under the Group's LTIP, CSP, EDP and DBP share schemes and shares held in the SIP Trust to provide free shares and matching shares under the SIP scheme. During the year the trusts distributed 5.2m (2021: 3.6m) shares at a cost of £5.0m (2021: £5.4m) to satisfy awards under those schemes.

The Company uses Treasury shares to satisfy share options under the Group's ESOS and SAYE share schemes. During the year, 0.3m Treasury shares have been distributed at a cost of £0.8m to satisfy options under the Group's share schemes (2021: nil) and 6.2m (2021: nil) Treasury shares were transferred to the SIP Trust.

During the year the EBT acquired 20.0m shares through market purchases, with a further 2.9m shares committed, for a total consideration of £13.7m. The purchase of these shares, together with associated fees and stamp duty amounting to £0.1m, has utilised £13.8m of the Company's distributable profits. During the year the EBT also subscribed £0.1m for 5.3m new issue shares in the Company. In the year ended 31 March 2021, the EBT acquired 2.6m shares through the Rights Issue by selling nil-paid rights.

The own shares reserve at 31 March 2022 represents the cost of 34.0m (2021: 11.3m) ordinary shares in Mitie Group plc held for the purposes of the share schemes, with a weighted average of 13.0m (2021: 11.3m) shares during the year. In the year ended 31 March 2022, the £5.8m (2021: £5.4m) share-based payments movement in the own shares reserve includes: i) £2.2m (2021: £1.4m) release to the share-based payment reserve in relation to share award exercises; and ii) a £3.6m (2021: £4.0m) transfer to retained losses which represents a loss on share award exercises or been forfeited or cancelled. In addition, £2.5m (2021: £3.1m) has been released from the share-based payments reserve to retained losses in relation to share awards which have lapsed in the year.

29. Reserves continued

Other reserves

Other reserves include the share-based payments reserve of £27.5m (2021: £13.6m) and the capital redemption reserve of £0.9m (2021: £0.9m).

The share-based payments reserve represents credits in respect of the expense recognised during the vesting period for unexercised awards under the Group's equity-settled share schemes (see Note 31).

Hedging and translation reserve

The hedging and translation reserve of £(2.6)m (2021: £(2.3)m) includes balances in respect of the Group's cash flow hedges (see Note 25). A net cash flow hedge loss during the year of £0.5m (2021: £1.1m loss) is included within other comprehensive income. The hedging and translation reserve also includes balances arising on translation of the Group's foreign operations and in respect of net investment hedges of which the combined movement was a gain of £0.1m during the year (2021: £0.9m loss). A tax credit of £0.1m (2021: £0.1m credit) has been recognised on these movements through other comprehensive income.

30. Acquisitions

Current period acquisitions

DAEL

On 5 August 2021, the Group acquired the entire issued share capital of DAEL Ventures Limited (DAEL) for a total cash consideration of £14.7m, funded through Mitie's own resources. DAEL is a leading provider of acquisition, design, and construction services in the UK for mobile telecoms infrastructure. This acquisition will broaden the Group's expertise in the fast-growing telecoms sector, delivering end-to-end service for customers and giving Mitie market-leading capabilities.

DAEL contributed £16.7m of revenue and £0.4m of operating profit before other items to the Group's results for the year ended 31 March 2022.

The Group's provisional assessment of the fair values of the assets and liabilities recognised as a result of the acquisition has been based on the total fair value of the consideration. The provisional purchase price allocation is as follows:

	Book value £m	Fair value adjustments £m	Provisional fair value £m
Customer relationships	–	5.0	5.0
Property, plant and equipment	0.9	–	0.9
Right-of-use assets	0.1	–	0.1
Trade and other receivables	8.0	–	8.0
Cash and cash equivalents	1.5	–	1.5
Trade and other payables	(8.3)	–	(8.3)
Deferred income	(0.5)	–	(0.5)
Financing liabilities	(0.1)	–	(0.1)
Current tax payable	(0.1)	–	(0.1)
Deferred tax liabilities	(0.2)	(1.2)	(1.4)
Net identifiable assets acquired	1.3	3.8	5.1
Goodwill			9.6
Total cash consideration			14.7

Goodwill on the acquisition of DAEL mainly represents the premium associated with taking over the operations which are considered to enhance the Group's ability to deliver across the telecoms sector and the assembled workforce acquired. Goodwill acquired has been allocated to the Technical Services CGU.

Rock

On 1 November 2021, the Group completed the acquisition of the entire issued share capital of Rock Power Connections Ltd (Rock), a leading independent connections provider (IPC). Rock has nationwide coverage and specialises in the design and installation of new high voltage electricity supplies, the renewal of industrial and commercial customers' electrical assets up to 132kV and the installation of EV charging points for non-residential blue-chip customers. This acquisition will bolster Mitie's existing EV expertise, enhancing the Group's ability to offer a truly end-to-end solution to meet clients' Net Zero goals. The transaction consideration funded through Mitie's own resources, comprised of an initial payment of £10.0m (before debt-free/cash-free and normalised working capital increases of £2.2m), with two deferred payments in aggregate of up to £1.1m (£0.9m discounted) by 31 March 2024, linked to stretching performance targets. The transaction also includes two performance-based employment-linked earnouts totalling a maximum of £4.4m, of which £0.9m has been recognised within the consolidated income statement and classified as Other items during the year ended 31 March 2022.

Rock contributed £7.3m of revenue and £0.3m of operating profit before other items to the Group's results during the year ended 31 March 2022.

The Group's provisional assessment of the fair values of the assets and liabilities recognised as a result of the acquisition has been based on the total fair value of the consideration. The purchase price allocation is as follows:

Notes to the consolidated financial statements continued

For the year ended 31 March 2022

30. Acquisitions continued

	Book value £m	Fair value adjustments £m	Provisional fair value £m
Customer relationships	–	2.5	2.5
Property, plant and equipment	0.2	–	0.2
Right-of-use assets	0.2	–	0.2
Trade and other receivables	2.2	–	2.2
Inventories	0.1	–	0.1
Cash and cash equivalents	3.0	–	3.0
Trade and other payables	(2.3)	–	(2.3)
Deferred Income	(3.0)	–	(3.0)
Financing liabilities	(0.2)	–	(0.2)
Current tax payable	(0.2)	–	(0.2)
Deferred tax liabilities	–	(0.6)	(0.6)
Net identifiable assets acquired	–	1.9	1.9
Goodwill			11.2
Total consideration			13.1
Cash consideration			12.2
Deferred consideration			0.9
Total consideration			13.1

Goodwill on the acquisition of Rock represents the premium associated with taking over the operations which are considered to enhance the Group's ability to better deliver Plan Zero. Goodwill acquired has been allocated to the Technical Services CGU.

Esoteric

On 17 November 2021, the Group completed the acquisition of the entire issued share capital of issued share capital of Esoteric Limited (Esoteric), a niche provider of leading counter espionage and specialist countermeasure services, on a cash free, debt free basis. Mitie is strengthening its security intelligence offering with the acquisition of a leading provider of specialist counter espionage services. The transaction consideration, funded through Mitie's own resources, comprised of an initial payment of £0.6m, with two deferred payments in aggregate of up to £0.5m (£0.4m discounted) by 31 March 2024, linked to stretching performance targets.

The Group's provisional assessment of the fair values of the assets and liabilities recognised as a result of the acquisition has been based on the total fair value of the consideration. The net identified assets acquired of £0.3m, included £nil cash and cash equivalents, resulted in a goodwill of £0.7m. Goodwill acquired has been allocated to the Business Services CGU.

Esoteric contributed £0.4m of revenue and £0.1m of operating profit before other items to the Group's results during the year ended 31 March 2022.

Goodwill on the acquisition of Esoteric represents the premium associated with taking over the operations which are considered to enhance the Group's ability to better deliver across the security sector.

Biotechure

On 31 January 2022, the Group completed the acquisition of Biotechure Limited and Green Planet Design Ltd, collectively Biotechure, for a cash consideration of £2.2m, funded through the Group's own resources. The transaction also includes two performance-based employment-linked earnouts totalling a maximum of £1.0m, of which £0.1m has been recognised within the consolidated income statement and classified as Other items during the year ended 31 March 2022. Biotechure design, build and maintain vertical gardens, known as living walls. This acquisition will complement Mitie's Plan Zero programme to support businesses to achieve a Net Zero carbon future.

The Group's provisional assessment of the fair values of the assets and liabilities recognised as a result of the acquisition has been based on the total fair value of the consideration. The net identified assets acquired of £1.4m, included £0.3m cash and cash equivalents, resulted in a goodwill of £0.8m. Goodwill acquired has been allocated to the Landscapes CGU.

Biotechure contributed £0.8m of revenue and £0.1m of operating profit before other items to the Group's results during the year ended 31 March 2022.

Goodwill on the acquisition of Biotechure represents the premium associated with taking over the operations which are considered to enhance the Group's ability to better deliver Plan Zero.

Based on estimates made of the full year impact of the above noted acquisitions, Group revenue and operating profit before other items for the year would have increased by approximately £23.9m and £1.9m respectively, resulting in total Group revenue of £3,927.2m and total Group operating profit before other items of £168.8m.

Prior period acquisitions

On 30 November 2020, the Group announced that it had completed the acquisition of the entire issued share capital of Interservefm (Holdings) Limited (Interserve). Interserve is a leading UK-focused facilities management business, providing services across multiple end-markets. The acquisition allows Mitie to develop in strategic growth areas, enhance Mitie's position as a leading UK facilities management company, and accelerate the delivery of Mitie's long-term technology-led vision.

Initial consideration for the acquisition comprised the issuance of 248.4 million ordinary shares valued using the closing share price at 30 November 2020, representing c.17.5% of the share capital of Mitie Group plc, and cash consideration of £120.0m determined on the basis that Interserve would be delivered cash-free/debt-free and with an agreed normalised level of working capital. The actual cash payment made at completion was £105.0m, being the £120.0m cash consideration adjusted for the estimated debt, debt like items and working capital as at the completion date (which was to be validated by a completion accounts process).

30. Acquisitions continued

The acquisition accounting for the Interserve transaction was disclosed as provisional within the Group's full year results to 31 March 2021. As such, the Group used the 12-month measurement period from the date of acquisition (Measurement Period), in accordance with IFRS 3 *Business Combinations*, to finalise the fair value measurement of particular assets, liabilities, and items of consideration (relating to the completion accounts process). The Measurement Period ended for this transaction on 29 November 2021 and hence, fair value amounts are disclosed as final as at 31 March 2022.

During the Measurement Period, the fair value of consideration was adjusted by £4.9m to £146.9m following an adjustment which represented management's best estimate of the amount expected to be received through the completion accounts process. This adjustment to consideration as a result of the completion accounts process reduced the fair value of consideration and therefore goodwill by £52.7m with a corresponding receivable being recorded. The outcome of the completion accounts process was inherently uncertain at the end of the Measurement Period, given that the SPA terms related to the completion accounts mechanism were complex, and the completion accounts would be the subject of commercial negotiation and, in the absence of agreement, an expert determination process, and, as has previously been disclosed, the final amount agreed could therefore be materially different from the estimate made at the end of the Measurement Period.

Also during the Measurement Period, the Group performed further analysis of balances acquired as part of the Interserve transaction which included working capital adjustments to receivables, payables and deferred income. The activities that were undertaken by the Group in the fair value measurement exercise resulted in a £7.2m adjustment to increase provisions and a £4.9m adjustment to increase consideration as a result of the completion accounts process. The adjustments made to both the fair value of net identifiable assets acquired and the fair value of total consideration resulted in a consequential increase of £12.6m to goodwill, culminating in a balance of £15.9m being recognised. There was no material impact to the post acquisition income statement.

As noted above, the Group has recognised fair value adjustments of £7.2m to increase provisions acquired, of which £6.4m related to onerous contract provisions. This was predominantly the result of the review performed by management of PFI contracts where new information received about obligations that existed at the date of acquisition and the quantification of estimated costs led to a remeasurement of the liability. Management performed additional investigative surveys and received additional information from customers.

The Group's assessment of the fair values of the assets and liabilities recognised as a result of the acquisition is as follows:

	As disclosed at 31 March 2021			At 31 March 2022	
	Book value £m	Fair value adjustments £m	Provisional fair value £m	Fair value adjustments £m	Fair value £m
Customer contracts and relationships	–	219.3	219.3	–	219.3
Other intangible assets	3.6	(0.2)	3.4	–	3.4
Property, plant and equipment	4.6	0.5	5.1	–	5.1
Right-of-use assets	16.9	(3.4)	13.5	–	13.5
Interest in joint ventures and associates	7.0	3.7	10.7	–	10.7
Deferred tax assets	19.6	(19.6)	–	–	–
Inventories	6.3	–	6.3	–	6.3
Trade and other receivables	214.9	–	214.9	0.1	215.0
Cash and cash equivalents	40.4	–	40.4	–	40.4
Trade and other payables	(223.6)	1.1	(222.5)	(0.3)	(222.8)
Deferred income	(59.4)	–	(59.4)	(0.3)	(59.7)
Financing liabilities	(18.1)	3.9	(14.2)	–	(14.2)
Current tax liabilities	(1.6)	–	(1.6)	–	(1.6)
Provisions	(66.7)	–	(66.7)	(7.2)	(73.9)
Pension assets	0.3	–	0.3	–	0.3
Deferred tax liabilities	–	(10.8)	(10.8)	–	(10.8)
Net identifiable (liabilities)/assets acquired	(55.8)	194.5	138.7	(7.7)	131.0
Goodwill ¹			3.3	12.6	15.9
Total consideration			142.0	4.9	146.9
Cash consideration			105.0	–	105.0
Shares consideration			94.6	–	94.6
Adjustment to consideration ²			(57.6)	4.9	(52.7)
Total consideration			142.0	4.9	146.9

Notes:

- Goodwill does not qualify for separate recognition and largely represents the value attributed to the assembled workforce acquired.
- Adjustment to consideration represented management's best estimate of the amount expected to be recovered by the Group through the completion accounts and other SPA mechanisms. The outcome of the completion accounts process was inherently uncertain, given that this was subject to a commercial negotiation and an expert determination process, and the final amount agreed could therefore be materially different from the estimate made at the end of the Measurement Period.

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30. Acquisitions continued

The completion accounts process (and expert determination) has since been concluded. Following the expert's determination, for which the expert sought a legal opinion in relation to the interpretation of the complex SPA requirements, an agreement was reached for the seller to pay £7.1m to the Group, of which £1.1m was settled during the second half of the year ended 31 March 2022 and £6.0m was settled in May 2022. The resulting £45.6m reduction in the related receivable of £52.7m has been recognised in the consolidated income statement and classified as Other items, given that the Measurement Period had ended.

Cash flows on acquisitions

	2022 £m	2021 £m
Cash consideration	29.7	105.0
Less: cash balance acquired ¹	(4.8)	(40.4)
Net outflow of cash – investing activities	24.9	64.6

Note:

1. £19.4m of the cash acquired in the year ended 31 March 2021 was subject to restrictions.

31. Share-based payments

The Group has six equity-settled share schemes. The Group also has awarded performance-related bonuses for Executive Directors which are deferred in conditional shares under the Mitie Group plc 2010 Deferred Bonus Plan (DBP) and are accounted for as a share-based payment charge.

The Mitie Group plc Long Term Incentive Plan (LTIP)

The LTIP was introduced in 2007, renewed in 2015 and amended and extended in 2021. The conditional awards of shares or rights to acquire shares (the awards) are offered to a small number of key senior management personnel. Where offered as options the exercise price is £nil. The vesting period is three years, although for awards granted in 2015 and subsequently some are subject to a holding period of up to a further two years. If the awards remain unexercised after a period of twelve months from the date of vesting, the awards expire. The awards may be forfeited if the employee leaves the Group. Before the awards can be exercised, performance conditions must be satisfied which are based on movements in a range of market and non-market measures over a three-year period.

The Enhanced Delivery Plan (EDP)

The EDP was introduced in 2021. The conditional awards of shares or the rights to acquire shares (the awards) are offered to a small number of key senior management personnel. Where offered as options, the exercise price is £nil. The vesting period is three years, and they are subject to a holding period of two additional years. If the awards remain unexercised after a period of twelve months from the date of vesting (but subject to the additional holding period), the awards expire. The awards may be forfeited if the employee leaves the Group. Before the awards can be exercised, performance conditions must be satisfied which are based on movements in non-market measures over a three-year period.

The Conditional Share Plan (CSP)

The CSP was introduced in 2014. The conditional awards of shares or the rights to acquire shares (the awards) are offered to a small number of key senior management personnel. Where offered as options the exercise price is £nil. The vesting period is determined at the discretion of the Remuneration Committee and is generally two or three years. If the awards remain unexercised after a period of ten years from the date of grant the awards expire. The awards may be forfeited if the employee leaves the Group.

The Mitie Group plc Executive Share Option Scheme (ESOS)

The ESOS exercise price is equal to the average market value of the shares on the business day preceding grant or, in case the Remuneration Committee decides, the average market value of shares over a number of preceding business days (not to exceed 20). The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options may be forfeited if the employee leaves the Group. Before options can be exercised, a performance condition must be satisfied; the performance condition is linked to the percentage growth in earnings per share over a three-year period. No awards have been made under the ESOS since 29 June 2015.

The Mitie Group plc Save as You Earn scheme (SAYE)

The SAYE scheme is open to eligible UK-resident employees. The exercise price is not less than 80% of the market value of the shares determined using either: the share price preceding the date on which invitations to participate in the scheme are issued or an average share price over five days preceding the invitation date. The vesting period is three years. If the options remain unexercised after a period of six months from the date of vesting, the options expire. Options may be forfeited if the employee leaves the Group. An equivalent scheme is open to eligible Ireland-resident employees.

31. Share-based payments continued

The Share Incentive Plan (SIP)

The SIP was introduced in 2011 and is open to eligible UK-resident employees. Under the scheme, eligible employees are invited to invest in partnership shares which are purchased in the market on their behalf and held in a separate UK trust. Since October 2021, one conditional matching share has been awarded for every two partnership shares purchased and has a holding period of three years. Matching shares are funded by way of market purchases.

Details of the awards and share options outstanding are as follows:

	2022	2021	2022	2021
	Number of conditional share awards (million)	Number of conditional share awards (million)	Number of share options (million)	Weighted average exercise price (p)
Outstanding at 1 April	65.3	29.2	56.7	47
Granted during the year	53.6	45.4	22.4	65
Lapsed during the year	(6.6)	(5.6)	(10.4)	50
Exercised during the year	(4.8)	(3.7)	(0.7)	60
Outstanding at 31 March	107.5	65.3	68.0	55
Exercisable at the end of the year			4.3	204

The Group recognised the following expenses related to share-based payments:

	2022 £m	2021 £m
Discretionary share plans	16.6	8.7
Non-discretionary share plans	2.0	0.8
	18.6	9.5

The share-based payment related expense charged to the consolidated income statement for the year is £18.6m (2021: £9.5m) and represents share-based payment transactions relating to discretionary and non-discretionary share plans. The share-based payments charge for the year is net of income statement credits of £0.3m (2021: £0.1m) for changes in assumptions relating to the likelihood of options vesting.

In addition, there has been: i) a transfer of £3.6m (2021: £4.0m) from the own shares reserve to retained losses which represents a loss on share award exercises; and ii) a release of £2.5m (2021: £3.1m) from the share-based payments reserve to retained losses in relation to share awards which have lapsed or been forfeited or cancelled in the year.

The weighted average share price at the date of exercise for awards and share options exercised during the year was 63p (2021: 45p). The conditional share awards and share options outstanding at 31 March 2022 had exercise prices (other than nil in the case of the LTIP, CSP, EDP, DBP and the matching shares under the SIP) ranging from 26p – 131p (2021: 26p – 131p) and a weighted average remaining contractual life of 3.4 years (2021: 3.4 years). In the year ended 31 March 2022, options were granted in respect of the SAYE, LTIP, CSP, and EDP schemes and awards of matching shares and 6.0m free shares were made under the SIP. The aggregate of the estimated fair values of those options granted and awards made was £40.5m (2021: £28.3m).

The fair value of options is measured by use of the Black-Scholes model.

The inputs into the Black-Scholes model are as follows:

	2022	2021
Share price (p)	34 – 151	34 – 151
Exercise price (p)	0 – 134	0 – 134
Expected volatility (%)	25 – 36	25 – 30
Expected life (years)	3 – 4	3 – 4
Risk-free rate (%)	(0.7) – 1.4	(0.7) – 0.6
Expected dividends (%)	0.0 – 2.7	0.0 – 2.7

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32. Retirement benefit schemes

The Group has a number of pension arrangements for employees:

- Defined contribution schemes for the majority of its employees; and
- Defined benefit schemes which include a group scheme and other smaller schemes.

The Group operates a number of defined contribution pension schemes for qualifying employees. The defined benefit schemes include the Mitie Group plc Pension Scheme (Group scheme), the Interserve Scheme Part C (Interserve scheme) and three smaller schemes; MacLellan Group 2000 Retirement Benefit Scheme, THK Insulation Limited Retirement Benefits Scheme and Cyprus Provident Fund. Due to the size of the smaller schemes, the Directors present the results and position of these schemes within this Note within Other schemes with Admitted Body schemes, largely sections of Local Government pension schemes, in respect of certain employees who joined the Group under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) or through the acquisition of subsidiary companies. In addition, Interserve Scheme Part B (Landmarc), is held within interest in joint ventures and associates.

Defined contribution schemes

A defined contribution scheme is a pension scheme under which the Group pays contributions to an independently administered fund; such contributions are based upon a fixed percentage of employees' pay. The Group has no legal or constructive obligations to pay further contributions to the fund once these contributions have been paid. Members' benefits are determined by the amount of contributions paid, together with investment returns earned on the contributions arising from the performance of each individual's chosen investments and the type of pension the member chooses to take at retirement. As a result, actuarial risk (that pension will be lower than expected) and investment risk (that the assets invested in do not perform in line with expectations) are borne by the employee.

The Group's contributions are recognised as an employee benefit expense when they are due.

The Group operates four separate schemes: a stakeholder defined contribution plan, which is closed to new members; a self-invested personal pension plan, which is closed to new members; and two group personal pension (GPP) plans. Employer contributions are payable to each on a matched basis requiring employee contributions to be paid. Employees have the option to pay their share via a salary sacrifice arrangement. The scheme used to satisfy auto-enrolment compliance is a master trust, The People's Pension.

During the year, the Group made a total contribution to the defined contribution schemes of £14.8m (2021: £11.9m) and contributions to the auto-enrolment scheme of £21.5m (2021: £17.8m), which are included in the consolidated income statement charge. The Group expects to make contributions of a similar amount in the year ending 31 March 2023.

Defined benefit schemes

Group scheme

The Group scheme provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their final pensionable pay.

The Group scheme closed to new members in 2006, with new employees able to join one of the defined contribution schemes.

The Group scheme is operated under the UK regulatory framework. Benefits are paid to members from the trust-administered fund, where the Trustee is responsible for ensuring that the scheme is sufficiently funded to meet current and future benefit payments. Plan assets are held in trust and are governed by pension legislation. If investment experience is worse than expected or the actuarial assessment of the scheme's liabilities increases, the Group's financial obligations to the scheme rise.

The nature of the relationship between the Group and the Trustee is also governed by regulations and practice. The Trustee must agree a funding plan with the sponsoring company such that any funding shortfall is expected to be met by additional contributions and investment outperformance. In order to assess the level of contributions required, triennial valuations are carried out with the scheme's obligations measured using prudent assumptions (which are determined by the Trustee with advice from the scheme actuary). The most recent triennial valuation was carried out as at 31 March 2020.

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

The latest funding valuation as at 31 March 2020 indicated an actuarial deficit of £92.1m. As a result, the Group has agreed a deficit recovery plan with the trustees totalling £92.8m over seven years, which should eliminate the deficit if the funding assumptions materialise in practice. In this regard, £21.5m has been paid to 31 March 2022, which includes £10.9m paid during the year ended 31 March 2022.

Interserve Scheme Part C (Interserve scheme)

The Interserve scheme was formed to take Support Services members transferred out of the Interserve Group Pension Scheme as part of the acquisition arrangements. The transfer was completed on 28 February 2020 via a flexible apportionment arrangement, which was approved by The Pensions Regulator. Following the Flexible Apportionment Arrangement, the first triennial valuation is being carried out at 31 December 2020. An initial funding valuation as at 31 December 2020 for the Interserve scheme was received during the year, which indicated an actuarial deficit of £1.6m, subject to approval by the scheme's trustees.

The Group has an unconditional right to refund of surplus assuming the gradual settlement of the Interserve scheme liabilities over time until all members have left the section. Accordingly, there is no restriction on the surplus.

Other defined benefit schemes

Grouped together under Other schemes are a number of schemes to which the Group makes contributions under Admitted Body status to clients' (generally local government or government entities) defined benefit schemes in respect of certain employees who transferred to the Group under TUPE. The valuations of the Other schemes are updated by an actuary at each balance sheet date.

32. Retirement benefit schemes continued

For the Admitted Body schemes, which are largely sections of the Local Government Pension Scheme, the Group will only participate for a finite period up to the end of the relevant contract. The Group is required to pay regular contributions, as decided by the relevant scheme actuaries and detailed in each scheme's Contributions Certificate, which are calculated every three years as part of a triennial valuation. In a number of cases contributions payable by the employer are capped and any excess is recovered from the entity that the employees transferred from. In addition, in certain cases, at the end of the contract the Group will be required to pay any deficit (as determined by the scheme actuary) that is assessed for its notional section of the scheme.

The Group made contributions to the Other schemes of £0.8m in the year (2021: £0.3m). The Group expects to make contributions of around £0.8m to the Other schemes in the year ending 31 March 2023.

Multi-employer schemes

As a result of acquisition activity and staff transfers following contract wins, the Group participates in four multi-employer pension schemes. The total contributions to these schemes for the financial year ending 31 March 2023 are anticipated to be £0.1m. For three of these schemes, the Group's share of the assets and liabilities is minimal.

The fourth scheme is the Plumbing & Mechanical Services (UK) Industry Pension Scheme (the Plumbing Scheme), a funded multi-employer defined benefit scheme. The Plumbing Scheme was founded in 1975 and to date has had over 4,000 employers. The Group has received a Section 75 employer debt notice for £20.0m in respect of the participation of Robert Prettie & Co Limited in the Plumbing Scheme.

As a result of the Interserve acquisition, the Group increased its participation in the Plumbing Scheme and the Group has received a Section 75 employer debt notice for £1.7m in respect of the participation of Mitie FM Limited.

Provisions of £21.7m were held at 31 March 2022 for Section 75 employer debts in respect of the participation of Robert Prettie & Co. and Mitie FM Limited in the Plumbing Scheme. See Note 21.

One Group company, Mitie Property Services (UK) Limited, continues to participate in the Plumbing Scheme. The trustee has provided an estimate of £2.4m for the potential Section 75 debt in respect of the participation of Mitie Property Services (UK) Limited in the Plumbing Scheme, however no event has occurred to trigger this debt. As set out in Note 34, this potential exposure has been disclosed as a contingent liability.

Accounting assumptions

The assumptions used in calculating the accounting costs and obligations of the Group's defined benefit pension schemes, as detailed below, are set after consultation with independent, professionally qualified actuaries.

The discount rate used to determine the present value of the obligations is set by reference to market yields on high-quality corporate bonds.

The assumptions for price inflation are set by reference to the difference between yields on longer-term conventional government bonds and index-linked bonds. The assumption for increases in pensionable pay takes into account expected salary inflation, the cap at CPI, and how often the cap is likely to be exceeded.

The assumptions for life expectancy have been set with reference to the actuarial tables used in the latest funding valuations. The Group is monitoring the impact of COVID-19 on the Group's defined benefit pension schemes and no impact of COVID-19 has been factored into the life expectancy assumptions as at 31 March 2022.

Principal accounting assumptions at balance sheet date

	Group scheme		Interserve scheme		Other schemes	
	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %
Key assumptions used for IAS 19 valuation:						
Discount rate	2.75	2.10	2.80	2.10	2.80	2.10
Expected rate of pensionable pay increases	3.60	2.50	3.80	2.50	3.80	2.50
Retail price inflation	3.60	3.25	3.30	3.25	3.30	3.25
Consumer price inflation	2.85	2.50	2.85	2.50	2.85	2.50
Future pension increases	3.60	3.25	3.80	3.30	3.80	3.25
	Group scheme		Interserve scheme			
	2022 Years	2021 Years	2022 Years	2021 Years		
Post retirement life expectancy:						
Current pensioners at 65 – male			87.6	87.6	86.2	86.3
Current pensioners at 65 – female			89.0	88.9	88.3	88.3
Future pensioners at 65 – male			88.7	88.6	87.3	87.3
Future pensioners at 65 – female			90.2	90.1	89.6	89.6

Life expectancy for the other schemes is that used by the relevant scheme actuary.

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32. Retirement benefit schemes continued

Sensitivity of defined benefit obligations to key assumptions

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

	Impact on defined benefit obligations		
	Change in assumption	Increase/(decrease) in obligations %	Increase/(decrease) in obligations £m
Increase in discount rate	0.1%	(1.7%)	(6.1)
Increase in retail price inflation ¹	0.1%	1.1%	3.8
Increase in consumer price inflation (excluding pay)	0.1%	0.8%	3.0
Increase in life expectancy	1 year	3.6%	13.2

Note:

1. Including other inflation-linked assumptions (consumer price inflation, pension increases and salary growth).

Some of the above changes in assumptions may have an impact on the value of the scheme's investment holdings. For example, the Group scheme holds a proportion of its assets in UK corporate bonds. A fall in the discount rate as a result of lower UK corporate bond yields would lead to an increase in the value of these assets, mitigating the increase in the defined benefit obligation to some extent. The duration, or average term to payment for the benefits due, weighted by liability, is around 20 years for the Group scheme and around 19 years for the Interserve scheme.

Amounts recognised in financial statements

Amounts recognised in the consolidated income statement are as follows:

	2022				2021			
	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m
Current service cost	(0.2)	(0.9)	(2.0)	(3.1)	(0.2)	(0.3)	(0.5)	(1.0)
Past service cost (including curtailments) ¹	–	–	(0.5)	(0.5)	(0.2)	–	–	(0.2)
Total administration expense	(0.4)	(0.3)	(0.1)	(0.8)	(0.8)	–	–	(0.8)
Amounts recognised in operating profit	(0.6)	(1.2)	(2.6)	(4.4)	(1.2)	(0.3)	(0.5)	(2.0)
Past service cost ¹	–	–	–	–	–	–	–	–
Net interest cost	(0.8)	0.1	(0.2)	(0.9)	(1.0)	0.1	–	(0.9)
Amounts recognised in profit/(loss) before tax	(1.4)	(1.1)	(2.8)	(5.3)	(2.2)	(0.2)	(0.5)	(2.9)

Note:

1. The past service cost of £0.5m was a cost in respect of the McCloud judgement. For the year ended 31 March 2021, £0.2m was a cost in respect of equalising Guaranteed Minimum Pensions and is recognised within the consolidated income statement and classified as Other items.

Amounts recognised in the consolidated statement of comprehensive income are as follows:

	2022				2021			
	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m
Actuarial gains/(losses) arising due to changes in financial assumptions	20.1	0.3	(0.8)	19.6	(34.9)	0.6	(1.7)	(36.0)
Actuarial (losses)/gains arising from liability experience	(1.8)	(1.9)	–	(3.7)	9.4	(0.1)	0.3	9.6
Actuarial (losses)/gains due to changes in demographic assumptions	(1.3)	(0.8)	–	(2.1)	4.0	–	0.4	4.4
Movement in asset ceiling	–	–	(5.1)	(5.1)	–	–	(1.0)	(1.0)
Return on scheme assets, excluding interest income	6.5	0.7	5.5	12.7	16.1	(1.7)	3.2	17.6
Return on reimbursement asset ¹	–	–	0.7	0.7	–	–	–	–
Amounts recognised in consolidated statement of comprehensive income	23.5	(1.7)	0.3	22.1	(5.4)	(1.2)	1.2	(5.4)

Note:

1. Included within the consolidated statement of comprehensive income is £0.7m related to a reimbursement asset. The reimbursement asset is recorded within other receivables.

32. Retirement benefit schemes continued

The amounts included in the consolidated balance sheet are as follows:

	2022				2021			
	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m
Fair value of scheme assets	231.0	32.6	87.0	350.6	215.3	30.7	80.8	326.8
Present value of defined benefit obligations	(238.3)	(31.0)	(93.5)	(362.8)	(256.7)	(27.7)	(84.9)	(369.3)
Net pension (liability)/asset	(7.3)	1.6	(6.5)	(12.2)	(41.4)	3.0	(4.1)	(42.5)

All figures above are shown before deferred tax.

Movements in the present value of defined benefit obligations were as follows:

	2022				2021			
	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m
At 1 April	256.7	27.7	84.9	369.3	236.4	–	13.2	249.6
Arising on business combinations	–	–	–	–	–	27.9	23.9	51.8
Participation in additional schemes	–	–	–	–	–	–	45.5	45.5
Current service cost	0.2	0.9	2.0	3.1	0.2	0.3	0.5	1.0
Interest cost	5.3	0.6	1.6	7.5	5.5	0.1	0.4	6.0
Contributions from scheme members	–	0.1	0.2	0.3	–	–	0.1	0.1
Actuarial (gains)/losses arising due to changes in financial assumptions	(20.1)	(0.3)	0.8	(19.6)	34.9	(0.6)	1.7	36.0
Actuarial losses/(gains) arising from experience	1.8	1.9	–	3.7	(9.4)	0.1	(0.3)	(9.6)
Actuarial losses/(gains) due to changes in demographic assumptions	1.3	0.8	–	2.1	(4.0)	–	(0.4)	(4.4)
Movement in asset ceiling	–	–	5.1	5.1	–	–	1.0	1.0
Benefits paid	(6.9)	(0.7)	(1.0)	(8.6)	(7.1)	(0.1)	(0.7)	(7.9)
Past service cost (including curtailments)	–	–	(0.1)	(0.1)	0.2	–	–	0.2
At 31 March	238.3	31.0	93.5	362.8	256.7	27.7	84.9	369.3

The defined benefit obligations of the Group scheme are analysed by participant status as at the 31 March 2020 funding valuation date below:

	2022 £m	2021 £m
Active	2.2	3.6
Deferred	130.1	167.4
Pensioners	106.0	85.7
At 31 March	238.3	256.7

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For the year ended 31 March 2022

32. Retirement benefit schemes continued

Movements in the fair value of scheme assets were as follows:

	2022				2021			
	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m
At 1 April	215.3	30.7	80.8	326.8	191.1	–	11.8	202.9
Arising on business combinations	–	–	–	–	–	31.9	20.2	52.1
Participation in additional schemes	–	–	–	–	–	–	45.5	45.5
Interest income	4.5	0.7	1.4	6.6	4.5	0.2	0.4	5.1
Actuarial gains/(losses) on assets	6.5	0.7	5.5	12.7	16.1	(1.7)	3.2	17.6
Contributions from the sponsoring companies	12.0	1.4	0.8	14.2	11.5	0.4	0.3	12.2
Contributions from scheme members	–	0.1	0.2	0.3	–	–	0.1	0.1
Expenses paid	(0.4)	(0.3)	(0.1)	(0.8)	(0.8)	–	–	(0.8)
Benefits paid	(6.9)	(0.7)	(1.0)	(8.6)	(7.1)	(0.1)	(0.7)	(7.9)
Past service cost (including curtailments)	–	–	(0.6)	(0.6)	–	–	–	–
At 31 March	231.0	32.6	87.0	350.6	215.3	30.7	80.8	326.8

Fair values of the assets held by the schemes were as follows:

	2022				2021			
	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m
Equities	64.3	15.1	49.6	129.0	68.1	–	45.7	113.8
Government bonds	82.2	–	1.0	83.2	54.2	14.5	2.7	71.4
Corporate bonds	18.2	3.4	14.6	36.2	28.7	3.3	13.9	45.9
Property	9.4	2.5	13.9	25.8	16.7	2.1	10.5	29.3
Commodities	3.8	–	–	3.8	–	–	–	–
Diversified growth fund	23.0	11.1	3.4	37.5	43.9	9.9	3.2	57.0
Cash	30.1	0.5	4.5	35.1	3.7	0.9	4.8	9.4
Total fair value of assets	231.0	32.6	87.0	350.6	215.3	30.7	80.8	326.8

The investment portfolios are diversified, investing in a wide range of assets, in order to provide reasonable assurance that no single asset or type of asset could have a materially adverse impact on the total portfolio. To reduce volatility, certain assets are held in a matching portfolio, which largely consists of government and corporate bonds, designed to mirror movements in corresponding liabilities.

Around 56% (2021: 59%) of the assets are held in equities, property, commodities and pooled investment vehicles which seek a higher expected level of return over the long term.

The property assets represent quoted property investments.

32. Retirement benefit schemes continued

Risks and risk management

The Group scheme, in common with the majority of UK plans, has a number of risks. These areas of risk and the ways in which the Group has sought to manage them, are set out in the table below.

The risks are considered from both a funding perspective, which drives the cash commitments of the Group, and from an accounting perspective, i.e. the extent to which such risks affect the amounts recorded in the Group's financial statements:

Risk	Description
Asset volatility	The funding liabilities are calculated using a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio. The defined benefit obligation for accounting is calculated using a discount rate set with reference to corporate bond yields. The Group scheme holds a large proportion of its assets (44%) in equities and other return-seeking assets (principally diversified growth funds (DGFs), property and commodities). The returns on such assets tend to be volatile and are not correlated to government bonds. This means that the funding level has the potential to be volatile in the short term, potentially resulting in short-term cash requirements, or alternative security offers, which are acceptable to the Trustee, and an increase in the net defined benefit liability recorded on the Group's balance sheet. Equities and DGFs are considered to offer the best returns over the long term with an acceptable level of risk and hence the scheme holds a significant proportion of these types of asset. However, the scheme's assets are well-diversified by investing in a range of asset classes, including property, commodities, government bonds and corporate bonds. The Group scheme holds 10% of its assets in DGFs which seek to maintain high levels of return whilst achieving lower volatility than direct equity funds. The allocation to return seeking assets is monitored to ensure it remains appropriate given the scheme's long-term objectives. The investment in bonds is discussed further below.
Changes in bond yields	Falling bond yields tend to increase the funding and accounting obligations. However, the investment in corporate and government bonds offers a degree of matching, i.e. the movement in assets arising from changes in bond yields partially matches the movement in the funding or accounting obligations. In this way, the exposure to movements in bond yields is reduced.
Inflation risk	The majority of the Group scheme's benefit obligations are linked to inflation. Higher inflation will lead to higher liabilities (although caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the Group scheme's assets are either unaffected by inflation (fixed interest bonds) or loosely correlated with inflation (equities), meaning that an increase in inflation will also increase the deficit.
Life expectancy	The majority of the Group scheme's obligations are to provide a pension for the life of the member, so increases in life expectancy will result in an increase in the obligations.

Areas of risk management

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

Certain benefits payable on death before retirement are insured.

33. Rights issue

On 25 June 2020, the Company announced a fully underwritten 11 for 5 rights issue at a subscription price of 25p per new ordinary share. The rights issue was approved by the holders of the Company's ordinary shares at a general meeting on 13 July 2020 and the rights issue closed on 28 July 2020. 805,069,771 new ordinary shares were issued, raising £190.4m after issue costs and expenses of £10.9m.

The rights issue utilised a cash box structure that qualified for merger relief under Section 612 of the Companies Act 2006 so that the premium arising was not required to be credited to the Company's share premium. The cash box entity, Project Orion Ltd, issued redeemable preference shares in consideration for the receipt of £193.4m, representing the subscription amount of £201.3m net of £7.9m of issue costs arising from the rights issue. The Company's new ordinary shares were issued as consideration for the transfer to it of the shares in Project Orion Ltd which it did not already own. As a result, the issue qualified for merger relief under Section 612 of the Companies Act 2006 so that the £173.3m excess of the value of the acquired shares in Project Orion Ltd over the £20.1m nominal value of the ordinary shares issued by the Company was credited to the Company's merger reserve. The remaining £3.0m of rights issue expenses have been charged against the merger reserve.

As a result of the rights issue, earnings per share and dividends per share for earlier periods have been restated for the bonus element of the rights issue. The adjustment factor has been calculated by dividing the share price immediately before the shares were quoted ex-rights (84.05p) with the theoretical ex-rights price (43.45p), giving an adjustment factor of 1.93426825.

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34. Contingent liabilities

Cyber incident

On 13 May 2020, Interserve Group Limited (IGL) announced that it was subject to a cyber-attack, which affected elements of the Interserve Group's IT systems (including enterprise resource planning and human resource systems), including elements related to the Interserve entities acquired by Mitie (the Cyber Incident).

The Cyber Incident was reported to the Information Commissioner's Office (ICO) on 5 May 2020. The ICO subsequently advised IGL that it considered it likely that IGL had breached certain articles of the GDPR. It was therefore possible that IGL or members of the Interserve Group could be subject to any regulatory action in respect of the Cyber Incident which, if they were found in breach of their obligations under the GDPR, could result in a remedial order or fine.

On 27 April 2022 the ICO subsequently issued a Notice of Intent (NOI) to IGL, advising that it is minded to issue IGL with a penalty notice under section 155 of the UK's Data Protection Act 2018. The NOI contains a confirmation that the ICO is satisfied that IGL is the controller with primary responsibility for the matters which gave rise to the breach of certain articles of the GDPR.

In accordance with the share purchase agreement dated 25 June 2020 (the SPA), pursuant to which Mitie acquired the Interserve entities from How Group Limited (HGL), HGL agreed to indemnify Mitie against any penalty that the ICO might impose on the Interserve entities acquired by Mitie in relation to the Cyber Incident (the Cyber Indemnity). The Cyber Indemnity was, alongside other indemnities given by HGL, secured by escrow arrangements, pursuant to which £40.0m was held in an escrow account for a period of two years (until 30 November 2022).

Management reasonably believe that, having regard to the NOI (including the confirmation that IGL is the relevant controller for the purposes of the ICO's investigation), the former Interserve entities, acquired on 30 November 2020, will not be subject to any regulatory action in respect of the Cyber Incident which could result in a remedial order or fine.

On 26 May 2022, Mitie and HGL agreed to settle all and any liabilities arising out of the SPA, including, without limitation, all and any sums due from HGL to Mitie pursuant to the completion account process contained in the SPA (and the expert determination process related thereto) by the payment of £6.0m from HGL to Mitie.

As part of those settlement arrangements, Mitie and HGL agreed that £32.5m would be released from the escrow arrangements, of which £6.0m would be paid directly to Mitie (in satisfaction of HGL's obligation to Mitie). It was agreed that the Cyber Indemnity would continue in full force and effect and that the balance of the escrow monies, £7.5m, would remain in the escrow account until the earlier of: (i) any enforcement notice made by the ICO in connection with the Cyber Incident having been settled, determined or agreed; (ii) the ICO having confirmed that it will not take any formal enforcement action in connection with the Cyber Incident; or (iii) 30 November 2023.

Contractual disputes, guarantees and indemnities

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

The Group is currently aware of potential liabilities relating to certain of the PFI contracts in the Interserve business. Management is in the process of investigating the extent to which a liability to provide rectification works exists, the result of which may or may not involve legal proceedings. Whilst management is collating the required information to assess the potential exposure, no reliable estimate of the contingent liability, or the likely timing of any settlement amount, can be made at the reporting date.

The Group and its subsidiaries have provided performance and financial guarantees, issued by financial institutions on its behalf, amounting to £29.2m (2021: £27.2m) in the ordinary course of business. These are not expected to result in any material financial loss.

Multi-employer pension schemes

When the Group (or a subsidiary of the Group) exits multi-employer pension schemes (typically by ceasing to have any active employees in the scheme), pension legislation may require the Group to fund the Group's share of the total amount of net liabilities with a one-off cash payment (a Section 75 debt under the Pensions Act 1995).

The Group continues to have an exposure to Section 75 employer debts in respect of the participation of Mitie Property Services (UK) Limited in the Plumbing Scheme, which have been estimated at £2.4m by the trustee, however no event has occurred to trigger this debt.

Employment claims

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

35. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note.

Mitie Group plc has a related party relationship with the Mitie Foundation, a charitable company. During the year, the Group made donations and gifts in kind of £0.2m (2021: £0.2m) to the Foundation.

During the year ended 31 March 2022, the Group recognised revenue from transactions with joint ventures or associates of £1.6m (2021: £0.6m). The amounts due from joint ventures and associates at the year end is £0.4m (2021: £0.3m) and £0.2m (2021: £nil) expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by joint ventures and associates.

The Group's key management personnel include the Executive Directors, Non-Executive Directors and members of the Mitie Group Executive (MGX). Details of the Directors' remuneration are included in Note 7. The remuneration for the other members of the MGX, including the share-based payments charge, is £9.2m (2021: £6.3m). No material contract or arrangement has been entered into during the year, nor existed at the end of the year, in which a Director had a material interest.

35. Related party transactions continued

	2022 £m	2021 £m
Short-term employment benefits	4.0	3.4
Post-employment benefits	0.3	0.2
Share-based payments	4.9	2.7
At 31 March	9.2	6.3

For the year ended 31 March 2022, during the period of common directorship, the Group generated revenue of £0.1m (2021: £0.1m) relating to Informa plc, a company whose chairman is also Mitie Group plc's non-executive chairman. There were outstanding balances at 31 March 2022 of £0.1m (2021: £nil).

During the year ended 31 March 2022, the Group generated revenue of £0.2m (2021: £0.1m) relating to St James' Place plc, £0.1m (2021: £0.1m) relating to Essentra plc and £nil (2021: £0.6m) relating to SIG plc, companies with non-executive directors who are also Mitie Group plc non-executive directors. The outstanding balances at the year ended 31 March 2022 are £0.1m (2021: £0.1m), £0.1m (2021: £nil) and £nil (2021: £0.5m) respectively. No expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by related parties.

All transactions with these related parties were made on terms equivalent to those that prevail in arm's length transactions.

36. Events after the reporting period

Following the expert's determination, on 8 April 2022, for which the expert sought a legal opinion in relation to the interpretation of the complex Interserve SPA requirements, an agreement was reached on 12 May 2022 for the seller to pay £7.1m to the Group, of which £1.1m was settled during the second half of the year ended 31 March 2022 and £6.0m was settled in May 2022. The resulting £45.6m reduction in the related £52.7m receivable has been treated as an adjusting post balance sheet event and has been recognised in the consolidated income statement and classified as Other items given that the Measurement Period had ended.

On 1 April 2022, the Group announced that it had acquired the entire issued share capital of P2ML Limited (P2ML), a specialist telecoms tower design house, which will further expand its Telecoms Acquisition, Design and Construction (ADC) capabilities. P2ML has market leading expertise in providing design, construction, inspection and maintenance services for cellular telecoms infrastructure, enabling major network operators and tower owners to facilitate upgrades to their estates. This ensures that new technologies, such as 5G, can be implemented and optimised safely and to the highest standard. P2ML will be acquired cash free, debt free, for a transaction consideration of £2.1m, with a normalised level of working capital. The acquisition will be funded from the Group's existing facilities. The initial accounting for the business combination had not been completed at the time the consolidated financial statements were authorised for issue.

On 3 May 2022, the Group announced that it had acquired the entire issued share capital of 8point8 Support Limited, 8point8 Training Limited and Vantage Solutions Limited (collectively 8point8), a leading provider of design and construction services in the UK, predominantly for mobile telecoms tower infrastructure. Total transaction consideration is £10.0m and the acquisition will be funded from the Group's existing facilities. The initial accounting for the business combination had not been completed at the time the consolidated financial statements were authorised for issue.

On 8 June 2022, the Board approved an initial £50.0m share buyback programme over the next 12 months.

On 8 June 2022, the Group entered into a sale and purchase agreement to acquire the entire issued share capital of Custom Solar Ltd ('Custom Solar'), a solar power solutions company specialising in the development, design, installation and maintenance of solar power systems for public and private sector clients. The transaction consideration comprises an initial payment of £8.0m, with deferred payments in aggregate of up to £4.4m by the end of FY25, linked to performance targets. Custom Solar will be acquired cash free, debt free, with a normalised level of working capital. The transaction is expected to complete on 30 June 2022 and will be funded through the Group's existing facilities. The initial accounting for the business combination had not been completed at the time the consolidated financial statements were authorised for issue.

37. Related undertakings

Subsidiaries

The companies set out below are those subsidiaries which were part of the Group at 31 March 2022.

Company	Country of incorporation	% voting rights and ownership interest	% nominal value owned
Bateman's Cleaning Services Limited ¹	United Kingdom	100%	100%
Bespoke Power Solutions Global Ltd	United Kingdom	100%	100%
Biotechure Limited	United Kingdom	100%	100%
Broadreach Group Limited	United Kingdom	100%	100%
Building & Property Trustees Ltd ¹	United Kingdom	100%	100%
Care & Custody (Health) Limited	United Kingdom	100%	100%
Central Window Cleaning Company Limited (in liquidation)	United Kingdom	100%	100%
Cole Motors Limited ¹	United Kingdom	100%	100%
CTI Power Limited	United Kingdom	100%	100%
Direct Enquiries Holdings Limited (in liquidation)	United Kingdom	100%	100%
Esoteric Limited	United Kingdom	100%	100%

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

37. Related undertakings continued

Company	Country of incorporation	% voting rights and ownership interest	% nominal value owned
First Security Group Limited ¹	United Kingdom	100%	100%
Global Aware International Group Limited ¹	United Kingdom	100%	100%
Global Aware International Ltd ² (registration number 6753723)	United Kingdom	100%	100%
Green Planet Design Ltd	United Kingdom	100%	100%
Hi-Tech Cleaning Solutions Limited (in liquidation)	United Kingdom	100%	100%
Industrial Services International Limited (in liquidation)	United Kingdom	100%	100%
Insitu Cleaning Company Limited	United Kingdom	100%	100%
Interserve Saudi Arabia LLC (in liquidation)	Kingdom of Saudi Arabia	100%	100%
Jabez Holdings Limited ² (registration number 5129988)	United Kingdom	100%	100%
Knightsbridge Guarding Holdings Limited	United Kingdom	100%	100%
Knightsbridge Guarding Limited	United Kingdom	100%	100%
Lancaster Office Cleaning Company Limited ¹	United Kingdom	100%	100%
MacLellan Group Limited	United Kingdom	100%	100%
MacLellan Integrated Services Limited	United Kingdom	100%	100%
MacLellan International Airport Services Limited ¹	United Kingdom	100%	100%
MacLellan International Limited	United Kingdom	100%	100%
MacLellan Limited ¹	United Kingdom	100%	100%
MacLellan Management Services Limited	United Kingdom	100%	100%
Mitie (Defence) Limited	United Kingdom	100%	100%
Mitie (Facilities Services) Limited ¹	United Kingdom	100%	100%
Mitie (Facilities Services-Slough) Limited	United Kingdom	100%	100%
Mitie Aviation Security Limited ⁴	United Kingdom	100%	100%
Mitie Belgium BV	Belgium	100%	100%
Mitie Belgium Security BV	Belgium	100%	100%
Mitie Building Services (UK) Limited (in liquidation)	United Kingdom	100%	100%
Mitie Built Environment Limited ² (registration number 972457)	United Kingdom	100%	100%
Mitie Care and Custody Limited ⁴	United Kingdom	100%	100%
Mitie Catering Services Limited	United Kingdom	100%	100%
Mitie Centro Especial de Empleo S.L.	Spain	100%	100%
Mitie Cleaning & Environmental Services Limited	United Kingdom	100%	100%
Mitie Cleaning Services Limited ¹	United Kingdom	100%	100%
Mitie Client Services Limited ² (registration number 6329913)	United Kingdom	100%	100%
Mitie Company Secretarial Services Limited ¹	United Kingdom	100%	100%
Mitie Compliance Ltd (in liquidation)	United Kingdom	100%	100%
Mitie Deutschland GmbH	Germany	100%	100%
Mitie Document Solutions Limited (in liquidation)	United Kingdom	100%	100%
Mitie Dormant (No.1) Limited ¹	United Kingdom	100%	100%
Mitie Dormant (No.2) Limited ¹	United Kingdom	100%	100%
Mitie Engineering Limited ⁴ (in liquidation)	United Kingdom	100%	100%
Mitie Engineering Services (Bristol) Limited ¹	United Kingdom	100%	100%
Mitie Engineering Services (Guernsey) Limited	Guernsey	100%	100%
Mitie Engineering Services (Jersey) Limited	Jersey	100%	100%
Mitie Engineering Services (Northern Region) Limited ² (registration number 2564586)	United Kingdom	100%	100%
Mitie Engineering Services (Wales) Limited ¹	United Kingdom	100%	100%
Mitie Engineering Services Limited (in liquidation)	United Kingdom	100%	100%
Mitie Environmental Services Limited	United Kingdom	100%	100%
Mitie Events & Leisure Services Limited ⁵ (in liquidation)	United Kingdom	100%	100%

37. Related undertakings continued

Company	Country of incorporation	% voting rights and ownership interest	% nominal value owned
Mitie Facilities Management Limited ⁴	Ireland	100%	100%
Mitie Facilities Services S.A.	Spain	100%	100%
Mitie Fire Services Limited (in liquidation)	United Kingdom	100%	100%
Mitie FM Limited	United Kingdom	100%	100%
Mitie France SAS	France	100%	100%
Mitie FS (UK) Limited	United Kingdom	100%	100%
Mitie Group Pension Scheme Trustee Company Limited ¹	United Kingdom	100%	100%
Mitie Holdings Limited	United Kingdom	100%	100%
Mitie Hospital Services Limited (in liquidation)	United Kingdom	100%	100%
Mitie Infrastructure Limited ^{2,5} (registration number 4387035)	United Kingdom	100%	100%
Mitie Integra Baleares S.L. (formerly Mitie España S.L.)	Spain	100%	100%
Mitie Integra Canarias S.L.	Spain	100%	100%
Mitie Integra S.L.	Spain	100%	100%
Mitie Integrated Facilities Management Limited (in liquidation)	United Kingdom	100%	100%
Mitie Integrated Services Limited	United Kingdom	100%	100%
Mitie International Limited ² (registration number 4032745)	United Kingdom	100%	100%
Mitie Investments Limited ² (registration number 7650472)	United Kingdom	100%	100%
Mitie Justice Limited (in liquidation)	United Kingdom	100%	100%
Mitie Landscapes Limited	United Kingdom	100%	100%
Mitie Limited	United Kingdom	100%	100%
Mitie Local Services Limited (in liquidation)	United Kingdom	100%	100%
Mitie Managed Services Limited ¹	United Kingdom	100%	100%
Mitie Nederland B.V.	Netherlands	100%	100%
Mitie NI Limited	United Kingdom	100%	100%
Mitie PFI Limited	United Kingdom	100%	100%
Mitie Project Services Limited	United Kingdom	100%	100%
Mitie Property Services (UK) Limited ³	United Kingdom	100%	100%
Mitie Resources Limited (in liquidation)	United Kingdom	100%	100%
Mitie Roofing Limited ³	United Kingdom	100%	100%
Mitie Schweiz GmbH	Switzerland	100%	100%
Mitie Scotgate Limited (in liquidation)	United Kingdom	100%	100%
Mitie Security (Fire & Electronics) Limited ¹	United Kingdom	100%	100%
Mitie Security (First) Limited	United Kingdom	100%	100%
Mitie Security (Knightsbridge) Limited	United Kingdom	100%	100%
Mitie Security (London) Limited (in liquidation)	United Kingdom	100%	100%
Mitie Security Holdings Limited ² (registration number 5909105)	United Kingdom	100%	100%
Mitie Security Limited	United Kingdom	100%	100%
Mitie Security Services Limited ¹	United Kingdom	100%	100%
Mitie Services (Retail) Limited ¹	United Kingdom	100%	100%
Mitie Shared Services Limited	United Kingdom	100%	100%
Mitie Specialist Services (Holdings) Limited	United Kingdom	100%	100%
Mitie Suomi Oy	Finland	100%	100%
Mitie T S 2 Limited ^{1,4}	United Kingdom	100%	100%
Mitie Technical Facilities Management Holdings Limited ² (registration number 7094957)	United Kingdom	100%	100%
Mitie Technical Facilities Management Limited	United Kingdom	100%	100%
Mitie Technical Services Limited	United Kingdom	100%	100%
Mitie Telecoms Assets Limited (formerly Jistics Limited)	United Kingdom	100%	100%

Notes to the consolidated financial statements continued
For the year ended 31 March 2022

37. Related undertakings continued

Company	Country of incorporation	% voting rights and ownership interest	% nominal value owned
Mitie Telecoms Limited (formerly Dael Telecom Ltd)	United Kingdom	100%	100%
Mitie Telecoms Towers Limited (formerly J B Towers Limited)	United Kingdom	100%	100%
Mitie Telecoms Ventures Limited (formerly Dael Ventures Limited)	United Kingdom	100%	100%
Mitie Transport Services Limited ¹	United Kingdom	100%	100%
Mitie Treasury Management Limited ³	United Kingdom	100%	100%
Mitie Trustee Limited ¹	United Kingdom	100%	100%
Mitie Waste & Environmental Services Limited ⁴	United Kingdom	100%	100%
Mitie Work Wise Limited (in liquidation)	United Kingdom	100%	100%
Mitiefm (Holdings) Limited	United Kingdom	100%	100%
Mitiefm Services Limited	United Kingdom	100%	100%
Parkersell Limited ¹	United Kingdom	100%	100%
Phoenix Fire Services Limited	United Kingdom	100%	100%
Phonotas Services Limited (in liquidation)	United Kingdom	100%	100%
Procius Limited ² (registration number 4730672)	United Kingdom	100%	100%
Project Orion Limited ³ (in liquidation)	Jersey	100%	100%
R & D Holdings Limited ¹	United Kingdom	100%	100%
Ramoneur Cleaning and Support Services Limited (in liquidation)	United Kingdom	100%	100%
Retail Cleaning Services Limited (in liquidation)	United Kingdom	100%	100%
Robert Prettie & Co Limited	United Kingdom	100%	100%
Rock Power Connections Ltd	United Kingdom	100%	100%
Source Eight Limited ^{2,4} (registration number 5004767)	United Kingdom	100%	100%
Source8 Africa Limited ² (registration number 8743753)	United Kingdom	100%	100%
Source8 Delivery (Nigeria) Limited	Nigeria	100%	100%
SSD UK Limited	United Kingdom	100%	100%
Tass (Europe) Limited (in liquidation)	United Kingdom	100%	100%
Translimp Contract Services S.A.	Spain	100%	100%
UK CRBS Limited ² (registration number 3656962)	United Kingdom	100%	100%
Unique Cleaning Services Limited ¹	United Kingdom	100%	100%
Utiylx Asset Management Limited ² (registration number 6434091)	United Kingdom	100%	100%
Utiylx Asset Management Projects Limited ² (registration number 6900472)	United Kingdom	100%	100%
Utiylx Broking Limited ¹	United Kingdom	100%	100%
Utiylx Healthcare Energy Services Limited	United Kingdom	100%	100%
Utiylx Holdings Limited ¹	United Kingdom	100%	100%
Utiylx Limited	United Kingdom	100%	100%
Utiylx Risk Management Limited ² (registration number 4999392)	United Kingdom	100%	100%
Vision Security Group Limited	United Kingdom	100%	100%
Vision Security Group Systems Limited ¹	United Kingdom	100%	100%
VSG Payroll Services Limited (in liquidation)	United Kingdom	100%	100%
VSG Staff Hire Limited (in liquidation)	United Kingdom	100%	100%
VSG Systems Direct Limited (in liquidation)	United Kingdom	100%	100%
Waveambda Limited	United Kingdom	100%	100%
Wealthy Thoughts Limited ² (registration number 3839703)	United Kingdom	100%	100%

Notes:

1. These subsidiaries were dormant during the year ended 31 March 2022 and will take the exemption from audit for the year (by virtue of Section 480 of the Companies Act 2006).
2. These subsidiaries have taken advantage of the audit exemption under Section 479A of the Companies Act 2006 for the period ended 31 March 2022. As such, Mitie Group plc has provided a guarantee against all debts and liabilities in these subsidiaries as at 31 March 2022.
3. Held directly by the Company.
4. The Company holds direct minority interest in these subsidiaries.
5. The Company has voting control of these subsidiaries through direct interests in a class of shares representing fewer than 50% of the total issued share capital of the subsidiaries.

37. Related undertakings continued

The registered office of all subsidiaries is Level 12, The Shard, 32 London Bridge Street, London, SE1 9SG, with the exception of those that are in liquidation, the registered office of which is 30 Finsbury Square, London, EC2A 1AG, and the following:

Company	Registered office address
Hi-Tech Cleaning Solutions Limited (in liquidation)	10 Fleet Place, London, EC4M 7QS
Interserve Saudi Arabia LLC (in liquidation)	PO Box 26982, Riyadh, 11595, Kingdom of Saudi Arabia
Mitie Belgium BV	Regus Brussels South Station, Marcel Broodthaersplein 8 (box 5), 1060 Brussels (Sint-Gillis), Belgium
Mitie Belgium Security BV	Regus Brussels South Station, Marcel Broodthaersplein 8 (box 5), 1060 Brussels (Sint-Gillis), Belgium
Mitie Centro Especial De Empleo S.L.	Calle San Miguel 25, Bajo 1, Azuqueca de Henares, 19200, Guadalajara, Spain
Mitie Deutschland GmbH	c/o Pinsent Masons Germany LLP, OTTOSTR. 21, 80333, Munich, Germany
Mitie Engineering Services (Guernsey) Limited	c/o MPR Private Clients Limited, PO Box 119, Martello Court, Admiral Park, St Peter Port, GY1 3HB, Guernsey
Mitie Engineering Services (Jersey) Limited	IFC 5, St Helier, JE1 1ST, Jersey
Mitie Facilities Management Limited	108 Q House, Furze Road, Sandyford, Dublin 18, Ireland
Mitie Facilities Services S.A.	Calle Juan Ignacio Luca de Tena, 8, 28027, Madrid, Spain
Mitie France SAS	259 rue St Honore, 75001, Paris, France
Mitie Integra Baleares S.L. (formerly Mitie España S.L.)	C/Cala Blanca, número 15, Polígono Son Fuster, 07009, Palma, Spain
Mitie Integra Canarias S.L.	c/o Luciano Ramos Diaz, 1, Local 2 Despacho 4 – S Cristobal Laguna, 38202, San Cristobal de la Laguna, Tenerife, Spain
Mitie Integra S.L.	Carretera Santa Creu do Calafell 81, Gava, 08850, Barcelona, Spain
Mitie Nederland B.V.	Javastraat 12, Rotterdam, Netherlands
Mitie NI Limited	Mitec Operations Centre, Unit 9B, First Floor, Silverwood Business Park, Silverwood Rd, Lurgan, Craigavon, Northern Ireland, BT66 6SY, United Kingdom
Mitie Schweiz GmbH	Brandschenkestrasse 90, CH-8027, Zurich, Switzerland
Mitie Suomi Oy	c/o Ov Visma Services Infocon Ab, Pormestarinranta 8, 00160 Helsinki, Finland
Project Orion Limited (in liquidation)	3rd Floor, 44 Esplanade, St Helier, JE4 9WG, Jersey
Source8 Delivery (Nigeria) Limited	235 Ikorodu Road, Ilupeju, Lagos, Nigeria
Translimp Contract Services S.A.	Calle Juan Ignacio Luca de Tena, 8, 28027, Madrid, Spain

No subsidiaries have non-controlling interests that are material to the Group.

Joint ventures and associates

The Group had the following joint ventures and associates at 31 March 2022.

Entity	Registered office address	2022 % voting rights and ownership interest	2022 % nominal value owned
Interserve Rezayat Company LLC (in liquidation)	Unit 6 and 7, Al Amani Center, Anas Bin Malik Road, Building number 2727, Additional number 8114, Riyadh, Postal Code 133, Kingdom of Saudi Arabia	50%	50%
Landmarc Support Services Limited ¹	Level 12, The Shard, 32 London Bridge Street, London, SE1 9SG	51%	51%
PriDE (SERP) Ltd	Level 12, The Shard, 32 London Bridge Street, London, SE1 9SG	50%	50%
Sussex Estates and Facilities LLP	Level 12, The Shard, 32 London Bridge Street, London, SE1 9SG	35%	35%

Note:

1. Landmarc Support Services Limited owns 49% of Landmarc Gulf Consultancy Management LLC, an entity whose registered office is in the United Arab Emirates.

Joint operations

The Group had the following joint operations at 31 March 2022.

Joint operations	Country of incorporation	Principal activity	2022 % interest
OneAim	United Kingdom	Siteworks	50%

Company balance sheet

As at 31 March 2022

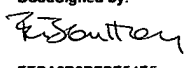
	Notes	2022 £m	2021 £m
Non-current assets			
Investments in subsidiaries	4	640.1	579.5
Other receivables	5	0.3	0.5
Deferred tax assets	6	2.8	1.4
Total non-current assets		643.2	581.4
Current assets			
Trade and other receivables	5	188.3	255.1
Current tax receivable		20.6	11.0
Cash and cash equivalents		1.6	0.9
Total current assets		210.5	267.0
Total assets		853.7	848.4
Current liabilities			
Trade and other payables	7	(42.7)	(21.1)
Provisions	8	(3.2)	(4.2)
Total current liabilities		(45.9)	(25.3)
Net current assets		164.6	241.7
Non-current liabilities			
Provisions	8	(7.5)	(6.4)
Total non-current liabilities		(7.5)	(6.4)
Total liabilities		(53.4)	(31.7)
Net assets		800.3	816.7
Equity			
Share capital	9	35.7	35.6
Share premium	9	130.6	130.6
Merger reserve	9	358.6	358.6
Own shares reserve	9	(36.9)	(28.8)
Other reserves	9	28.4	14.5
Retained earnings ¹		283.9	306.2
Total equity		800.3	816.7

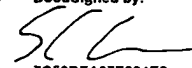
Note:

1. The loss for the financial year ended 31 March 2022 was £15.3m (2021: £1.4m).

The accompanying notes on pages 216 to 219 form an integral part of the financial statements.

The financial statements of Mitie Group plc, company registration number SC019230, were approved by the Board of Directors and authorised for issue on 9 June 2022. They were signed on its behalf by:

DocuSigned by:

 Phil Bentley
 Chief Executive Officer

DocuSigned by:

 Simon Kirkpatrick
 Chief Financial Officer

Company statement of changes in equity

For the year ended 31 March 2022

	Share capital £m	Share premium £m	Merger reserve £m	Own shares reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 April 2020	9.3	130.6	99.9	(34.2)	9.5	308.5	523.6
Loss for the year	–	–	–	–	–	(1.4)	(1.4)
Total comprehensive expense	–	–	–	–	–	(1.4)	(1.4)
Transactions with owners							
Issue of shares	26.3	–	261.7	–	–	–	288.0
Rights issue expenses	–	–	(3.0)	–	–	–	(3.0)
Share-based payments	–	–	–	5.4	5.0	(0.9)	9.5
Total transactions with owners	26.3	–	258.7	5.4	5.0	(0.9)	294.5
At 31 March 2021	35.6	130.6	358.6	(28.8)	14.5	306.2	816.7
At 1 April 2021	35.6	130.6	358.6	(28.8)	14.5	306.2	816.7
Loss for the year	–	–	–	–	–	(15.3)	(15.3)
Total comprehensive expense	–	–	–	–	–	(15.3)	(15.3)
Transactions with owners							
Dividends paid ¹	–	–	–	–	–	(5.7)	(5.7)
Issue of shares	0.1	–	–	(0.1)	–	–	–
Purchase of own shares	–	–	–	(13.8)	–	–	(13.8)
Share-based payments	–	–	–	5.8	13.9	(1.1)	18.6
Tax on share-based payments	–	–	–	–	–	(0.2)	(0.2)
Total transactions with owners	0.1	–	–	(8.1)	13.9	(7.0)	(1.1)
At 31 March 2022	35.7	130.6	358.6	(36.9)	28.4	283.9	800.3

Note:

1. Dividends paid to shareholders have been disclosed in Note 10 to the consolidated financial statements.

Notes to the Company financial statements

For the year ended 31 March 2022

I. Basis of preparation and significant accounting policies

(a) Basis of preparation and accounting

Mitie Group plc (the Company) is a public company limited by shares, incorporated in the United Kingdom and registered in Scotland. The Company's financial statements are presented in pounds sterling, which is the Company's functional and presentational currency. All amounts have been rounded to the nearest one hundred thousand pounds, unless otherwise indicated. The Group comprises the Company and all its subsidiaries.

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

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

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. In preparing these financial statements in accordance with FRS 101, the Company transitioned to UK-adopted International Accounting Standards (as described above) in its financial statements for the year ended 31 March 2021. This change constituted a change in accounting framework. However, there was no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The Company's financial statements have been prepared on the historical cost basis and on a going concern basis.

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

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

As the consolidated financial statements 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*.

In accordance with Section 408(3) of the Companies Act 2006, the Company is exempt from the requirement to present its own income statement.

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

(b) Significant accounting policies

The significant accounting policies and measurement bases adopted are the same as those disclosed in Note 1 to the consolidated financial statements, except as noted below, and have been applied consistently throughout the year and the preceding year, unless stated otherwise.

Investments

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

Financial instruments

Intercompany loans are all assessed as being repayable on demand. The impairment assessment of receivables is in accordance with IFRS 9.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full on temporary differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based upon tax rates and legislation that have been enacted or substantively enacted at the balance sheet date. Temporary differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on unremitted earnings of subsidiaries, joint ventures and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1. Basis of preparation and significant accounting policies continued

Share-based payments

Details of the Company's equity-settled share schemes are provided in Note 31 to the consolidated financial statements. The costs of options and conditional awards over the Company's shares granted to employees of the Company's subsidiaries are accounted for as a capital contribution within the carrying value of investments in subsidiaries.

(c) 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.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have the most significant effect on the carrying value of assets and liabilities as at 31 March 2022, are discussed below:

Impairment of investments in subsidiaries

The carrying values of investments in subsidiaries have been disclosed in Note 4. Determining whether an investment is impaired requires an estimation of its recoverable amount. The recoverable amount involves an estimation of the future cash flows and the selection of appropriate discount rates in order to calculate present values.

2. Staff numbers and costs

There were no persons employed by the Company (including Directors) during the year ended 31 March 2022 and 31 March 2021. Information about the Directors' remuneration has been disclosed in the consolidated financial statements.

3. Auditor's remuneration

The auditor's remuneration for audit services to the Company has been disclosed in Note 6 to the consolidated financial statements.

4. Investments in subsidiaries

	£m
Cost	
At 1 April 2020	594.2
Additions ¹	49.2
Capital contribution with respect to share-based payments	5.5
At 31 March 2021	648.9
Additions ¹	51.6
Capital contribution with respect to share-based payments	10.7
At 31 March 2022	711.2
Impairment	
At 1 April 2020	68.6
Charge for the year	0.8
At 31 March 2021	69.4
Charge for the year	1.7
At 31 March 2022	71.1
Net book value	
At 31 March 2022	640.1
At 31 March 2021	579.5

Note:

1. Relates to increases in the investment in Mitie Treasury Management Limited due to the Interserve acquisition and related adjustments as a result of the completion accounts and other SPA mechanisms (see Note 5).

Details of the Company's subsidiary undertakings have been disclosed in Note 37 to the consolidated financial statements.

Notes to the Company financial statements continued

For the year ended 31 March 2022

4. Investments in subsidiaries continued

The carrying value of the Company's investments in subsidiary undertakings has been tested for impairment in accordance with IAS 36 Impairment of Assets. The carrying value was compared to the asset's recoverable amount and was further assessed by reference to value in use as required. The value in use has been calculated based upon a discounted cash flow methodology using the most recent forecasts prepared by management. These forecasts cover the next five years with a terminal value using a long-term growth rate of 2% (2021: 2%) and are consistent with those used for the Group's goodwill impairment assessment. The key assumptions for the value in use calculation are forecast revenue, direct costs, expectation of future changes in the market and discount rates. The pre-tax discount rates used to assess the forecast cash flows, ranging from 10.2% to 11.7%, have been derived from the Company's post-tax weighted average cost of capital, which was 7.8% at 31 March 2022 (2021: 9.1%). These rates are reviewed annually by external advisors and adjusted for the risks specific to the business being assessed and the market in which it operates.

As a result of this analysis, the Directors have determined an impairment of £1.7m (2021: £0.8m) was required to the Company's investment in Mitie Roofing Limited (2021: Source Eight Limited). All other investments had significant headroom and required no impairment.

An increase in the discount rate of 1% would have resulted in a further impairment of £1.7m to the Company's investments.

5. Trade and other receivables

	2022 £m	2021 £m
Amounts owed by subsidiaries	156.0	188.8
Other receivables ¹	32.4	66.2
Prepayments	0.2	0.6
Total	188.6	255.6
Current	188.3	255.1
Non-current	0.3	0.5
Total	188.6	255.6

Note:

1. At 31 March 2022 other receivables included the £6.0m (2021: £57.6m) which represented management's best estimate of the amount expected to be recovered by the Group through the completion accounts and other SPA mechanisms on the Interserve acquisition. At 31 March 2021 it was disclosed that the outcome of the completion accounts process was inherently uncertain, given that the SPA terms related to the completion accounts mechanism were complex, and the completion accounts would be the subject of a commercial negotiation and, in the absence of agreement, an expert determination process, and the final amount agreed could therefore be materially different from the estimate. The completion accounts process, including commercial negotiations and expert determination, has since been concluded. Following the expert's determination, for which the expert sought a legal opinion in relation to the interpretation of the complex SPA requirements, an agreement was reached for the seller to pay £7.1m to the Group, of which £1.1m was settled during the second half of the year ended 31 March 2022 and £6.0m was settled in May 2022.

Amounts owed by subsidiaries are repayable on demand. The Directors consider that the carrying amount of trade and other receivables approximates their fair value. Included within amounts owed by subsidiaries above is £92.0m (2021: £132.5m) relating to interest-bearing loans at 5% per annum (2021: 5% per annum).

6. Deferred tax assets

	Accelerated capital allowance £m	Share-based payments timing difference £m	Total £m
At 1 April 2020	–	0.3	0.3
Credit to income statement	0.4	0.7	1.1
At 31 March 2021	0.4	1.0	1.4
Credit to income statement	0.1	1.5	1.6
Charge to equity	–	(0.2)	(0.2)
At 31 March 2022	0.5	2.3	2.8

7. Trade and other payables

	2022 £m	2021 £m
Trade payables	1.8	2.9
Amounts owed to subsidiaries	15.6	4.5
Other taxes and social security	3.0	0.4
Accruals	22.3	13.3
Total	42.7	21.1

Amounts owed to subsidiaries are repayable on demand. The Directors consider that the carrying amount of trade and other payables approximates their fair value.

8. Provisions

	£m
At 1 April 2021	10.6
Additional provisions in the year	4.8
Utilised in the year	(4.7)
At 31 March 2022	10.7
Current	3.2
Non-current	7.5
Total	10.7

The majority of the provisions and related movements during the year were in respect of the insurance reserve. The insurance reserve provides for fleet and liability claims and a claim typically settles over three to five years. This includes a provision for claims incurred but not yet reported and is based on information available at the balance sheet date.

9. Equity

Details of the Company's share capital, share premium, merger reserve, own shares reserve and other reserves have been disclosed in Note 28 and Note 29 to the consolidated financial statements.

10. Contingent liabilities

The Company enters into financial guarantee arrangements to guarantee the indebtedness of other companies within the Group. In this respect the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

In addition, the Company and its subsidiaries have provided performance and financial guarantees, issued by financial institutions on its behalf, amounting to £29.2m (2021: £27.2m) in the ordinary course of business. These are not expected to result in any material financial loss.

As disclosed in Note 37 to the consolidated financial statements, certain subsidiaries have taken advantage of the audit exemption under Section 479A of the Companies Act 2006 for the year ended 31 March 2022. A parent company guarantee has been provided for these companies under Section 479C of the Companies Act 2006.

11. Share-based payments

The Company has certain equity-settled share schemes as described in Note 31 to the consolidated financial statements.

12. Related parties

The Company makes management charges to its subsidiaries, whether they are wholly owned or otherwise, and receives dividends from its subsidiaries, according to their ability to remit them. Other details of the Group's related party transactions have been given in Note 35 to the consolidated financial statements.

The Directors are remunerated for their services to the Group as a whole. No remuneration was paid to the Directors specifically in respect of their services to Mitie Group plc for the year ended 31 March 2022 or 31 March 2021. Detailed disclosures of Directors' remuneration and share interests are given in the audited section of the Directors' remuneration report on pages 115 to 130. The Company had no employees during the years ended 31 March 2022 and 31 March 2021.

Under FRS 101 the Company is exempt from disclosing key management personnel compensation and transactions with other companies wholly owned by Mitie Group plc. The Company had no other related party transactions during the year ended 31 March 2022 (2021: £nil).

Appendix – Alternative Performance Measures

The Group presents various Alternative Performance Measures (APMs) as management believes that these are useful for users of the financial statements in helping to provide a balanced view of, and relevant information on, the Group's financial performance.

In assessing its performance, the Group has adopted certain non-statutory measures which, unlike its statutory measures, cannot be derived directly from its financial statements. The Group commonly uses the following measures to assess its performance:

Performance before other items

The Group adjusts the statutory income statement for Other items which, in management's judgement, need to be disclosed separately by virtue of their nature, size and incidence in order for users of the financial statements to obtain a proper understanding of the financial information and the underlying performance of the business.

These Other items include impairment of goodwill, impairment and amortisation of acquisition related intangible assets, acquisition and disposal related costs, gain or loss on business disposals, cost of restructuring programmes and other exceptional items. Further details of these Other items are provided in Note 4.

		2022 £m	Restated ^{1,2} 2021 £m
Operating profit			
Operating profit from continuing operations	Statutory measures	72.1	4.0
Adjust for: restructure costs	Note 4	10.9	24.9
Adjust for: acquisition and disposal related costs	Note 4	89.3	33.1
Adjust for: other exceptional items	Note 4	(5.4)	(3.2)
Operating profit before other items from continuing operations	Performance measures	166.9	58.8
Operating profit from discontinued operations ^{1,3}	Statutory measures	19.9	8.0
Adjust for: restructure costs	Note 4	–	0.3
Adjust for: acquisition and disposal related costs	Note 4	(4.0)	(2.0)
Adjust for: gain on disposal	Note 4	(13.0)	(1.2)
Operating profit before other items from discontinued operations	Performance measures	2.9	5.1
Operating profit before other items – Group	Performance measures	169.8	63.9

Notes:

1. The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations are re-presented within discontinued operations above. Refer to Note 5.
2. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
3. Operating profit from discontinued operations comprises the profit before net finance income and tax of £6.9m (2021 restated: £6.8m) and gain on disposal before tax of £13.0m (2021: £1.2m).

Reconciliations are provided below to show how the Group's segmental reported results are adjusted to exclude Other items.

	2022 £m			Restated ^{1,2,3} 2021 £m		
	Reported results	Adjust for: Other items (Note 4)	Performance measures	Reported results	Adjust for: Other items (Note 4)	Performance measures
Operating profit/(loss)						
Segment						
Business Services	89.9	17.6	107.5	28.4	19.2	47.6
Technical Services	8.9	21.1	30.0	(9.9)	20.9	11.0
CG&D	41.9	(3.5)	38.4	4.9	5.2	10.1
Communities	9.0	10.9	19.9	15.1	1.5	16.6
Specialist Services	29.4	3.1	32.5	19.8	4.0	23.8
Care & Custody	8.7	1.2	9.9	5.5	1.9	7.4
Landscapes	8.6	0.6	9.2	7.6	0.8	8.4
Waste	7.4	0.9	8.3	5.4	1.3	6.7
Spain	4.7	0.4	5.1	1.3	–	1.3
Corporate centre	(107.0)	45.6	(61.4)	(54.3)	4.0	(50.3)
Total from continuing operations	72.1	94.8	166.9	4.0	54.8	58.8
Catering	–	–	–	(1.6)	1.6	–
Healthcare	–	–	–	2.1	(2.1)	–
Pest Control	–	–	–	0.7	(0.7)	–
Social Housing	4.0	(4.0)	–	2.0	(2.0)	–
Document Management	18.8	(16.0)	2.8	4.7	–	4.7
Nordics and Poland	(2.9)	3.0	0.1	0.1	0.3	0.4
Total from discontinued operations⁴	19.9	(17.0)	2.9	8.0	(2.9)	5.1
Total Group	92.0	77.8	169.8	12.0	51.9	63.9

Notes:

1. The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations are re-presented within discontinued operations above. Refer to Note 5.
2. The comparatives as at 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
3. Operating profit/(loss) from continuing operations for the year ended 31 March 2021 has been re-presented following the Group reorganising its divisional structure.
4. The reported operating profit from discontinued operations comprises the profit before net finance income and tax of £6.9m (2021 restated: £6.8m) and gain on disposal before tax of £13.0m (2021: £1.2m).

In line with the Group's measurement of profit from operations before other items, the Group also presents its basic earnings per share before other items for continuing operations. The table below reconciles this to the statutory basic earnings per share.

		2022 pence	Restated ^{1,2} 2021 pence
Earnings per share			
Statutory basic earnings/(loss) per share	Statutory measures	3.6	(0.6)
Adjust for: earnings per share from discontinued operations		(1.4)	(0.7)
Statutory basic earnings/(loss) per share from continuing operations		2.2	(1.3)
Adjust for: other items per share from continuing operations		7.0	4.4
Basic earnings per share before other items from continuing operations	Performance measures	9.2	3.1

Notes:

1. The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations for the year ended 31 March 2021 have been re-presented within discontinued operations. Refer to Note 5.
2. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.

Appendix – Alternative Performance Measures continued

Net cash/(debt) and total financial obligations

Net cash/(debt) is defined as the difference between total borrowings and cash and cash equivalents. It is a measure that provides additional information on the Group's financial position. The Group includes the carrying value of its derivative financial instruments in its reported net debt measure as this carrying value represents the fair value of cross-currency interest rate swaps on the US\$ private placement notes which form part of the Group's financing liabilities. In addition, restricted cash which is subject to various constraints on the Group's ability to utilise these balances and cash which was held on trust for the CID facility provider, has been excluded from the net cash/(debt) measure.

Total financial obligations (TFO) is defined as the Group's net cash/(debt) including the amount of invoice discounting under the Group's CID facility and the net retirement benefit liabilities. TFO represents all debt-like financing items the Group has made use of at the year end.

A reconciliation from reported figures is presented below:

Net cash/(debt)		2022 £m	2021 £m
Cash and cash equivalents	Statutory measures	345.2	196.2
Adjusted for: restricted cash and cash held on trust ¹	Note 23	(37.5)	(18.7)
Financing liabilities	Note 24	(300.6)	(278.8)
Derivative financial instruments hedging private placement notes	Note 25	19.6	14.6
Net cash/(debt)	Performance measures	26.7	(86.7)
Customer invoice discounting facility	Note 16	(44.5)	(51.7)
Net retirement benefit liabilities	Note 32	(12.2)	(42.5)
TFO	Performance measures	(30.0)	(180.9)

Note:

1. As at 31 March 2022, £20.0m cash (2021: £nil) was held across the Group's bank accounts in respect of the CID facility, where cash collected from the Group's customers was held on trust for the CID facility provider. This cash was subsequently remitted to the CID facility provider by 5 April 2022.

The Group uses an average net debt measure as this reflects its financing requirements throughout the period. The Group calculates its average net debt based on the daily closing figures, including its foreign currency bank loans translated at the closing exchange rate for the previous month end. The average net debt includes the fair value of the derivative financial instruments which are used to hedge the US\$ private placement notes. This measure showed average daily net debt of £24.7m for the year ended 31 March 2022, compared with £47.1m for the year ended 31 March 2021.

Free cash flow

Free cash flow is a measure representing the cash that the Group generates after accounting for cash flows to support operations and maintain its capital assets. It is a measure that provides additional information on the Group's financial performance as it highlights the cash that is available to the Group after operating and capital expenditure requirements are met. The table below reconciles net cash generated from operating activities to free cash inflow.

Free cash flow		2022 £m	Restated ¹ 2021 £m
Net cash generated from operating activities	Statutory measures	230.2	22.0
Add: net (increase)/decrease in restricted cash and cash held on trust ²		(18.8)	0.7
Interest received		0.3	0.8
Dividends received from joint ventures and associates		4.0	0.8
Purchase of own shares		(13.8)	–
Purchase of property, plant and equipment		(15.4)	(7.6)
Purchase of other intangible assets		(20.2)	(14.1)
Disposal of property, plant and equipment		0.4	1.0
Capital element of lease rentals paid		(33.9)	(28.1)
Free cash inflow/(outflow)	Performance measures	132.8	(24.5)

Notes:

- The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
- As at 31 March 2022, £20.0m cash (2021: £nil) was held across the Group's bank accounts in respect of the CID facility, where cash collected from the Group's customers was held on trust for the CID facility provider. This cash was subsequently remitted to the CID facility provider by 5 April 2022.

Earnings before interest, tax, depreciation and amortisation

Earnings from continuing operations before interest, tax, depreciation and amortisation (EBITDA) is a measure of the Group's profitability. EBITDA is measured as profit/(loss) before tax from continuing operations excluding the impact of net finance costs, Other items, depreciation of property, plant and equipment, amortisation and impairment of non-current assets and amortisation of contract assets.

		2022 £m	2021 ¹ £m
EBITDA			
Profit/(loss) before tax from continuing operations	Statutory measures	52.3	(13.7)
Add: net finance costs from continuing operations		19.8	17.7
Operating profit from continuing operations		72.1	4.0
Add: Other items from continuing operations	Note 4	94.8	54.8
Operating profit before other items from continuing operations		166.9	58.8
Add:			
Depreciation of property, plant and equipment	Note 3, 14, 26	41.4	34.0
Amortisation of non-current assets ^{1,2}	Note 13	7.7	8.4
Amortisation of contract assets	Note 17	1.7	1.7
Impairment of non-current assets ²	Note 13	0.8	1.0
EBITDA	Performance measures	218.5	103.9

Notes:

- The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
- Excludes amounts classified in the consolidated income statement as Other items.

Return on invested capital

Return on invested capital (ROIC) is a measure of how efficiently the Group utilises its invested capital to generate profits. The table below reconciles the Group's net assets to invested capital and summarises how the ROIC is derived.

		2022 £m	Restated ^{1,2,3} 2021 £m
Net assets	Statutory measures	425.8	357.5
Add:			
Non-current liabilities		241.0	396.8
Current provisions	Note 21	54.7	55.5
Current Private Placement notes ⁴	Note 24	141.0	–
Deduct:			
Non-current derivative financial assets	Note 25	–	(14.6)
Current derivative financial assets	Note 25	(19.6)	–
Non-current deferred tax assets	Note 22	(11.1)	(22.3)
Cash and cash equivalents	Note 23	(345.2)	(196.2)
Invested capital	Performance measures	486.6	576.7
Continuing operating profit before other items^{2,3}		166.9	58.8
Tax ^{2,5}		(21.5)	(11.3)
Continuing operating profit before other items after tax^{2,5}		145.4	47.5
ROIC %⁶	Performance measures	29.9%	8.2%

Notes:

- The comparatives as at 31 March 2021 have been restated for measurement period adjustments in respect of the Interserve acquisition. Refer to Note 2 and Note 30.
- The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations are re-presented within discontinued operations.
- The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
- The current portion of the US Private Placement notes has been added back to provide further clarity and comparability of invested capital.
- Tax charge has been calculated at the effective tax rate for the year on pre-tax profits before other items for continuing operations of 12.9% (2021 restated: 19.2%).
- The ROIC metric used for the purposes of the Enhanced Delivery Plan (EDP) requires further adjustments under the detailed rules agreed with shareholders.

Shareholder information

Overview

HY23 interim results	17 November 2022
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Dividends

FY22 interim dividend (0.4p paid)	2 February 2022
FY22 final dividend (1.4p proposed):	
Ex-dividend date	23 June 2022
Record date	24 June 2022
Last date for receipt/revocation of Dividend Reinvestment Plan (DRIP) mandate	11 July 2022
Payment date	5 August 2022

Annual General Meeting

2022 Annual General Meeting	26 July 2022
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* Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00am – 5.30pm, Monday to Friday excluding public holidays in England and Wales.

Mitie online share portal

Mitie has a portal where shareholders can register and can then login to:

- access information on shareholdings and movements;
- update address details;
- view dividend payments received and register bank mandate instructions;
- sell Mitie shares;
- complete an online proxy voting form; and
- register for e-communications allowing Mitie to notify shareholders by email that certain documents are available to view on its website. This will further reduce Mitie's carbon footprint as well as reduce costs.

If you wish to register, please sign up at:

www.mitie-shares.com

Corporate website

This report can be downloaded in PDF from the Mitie website, which also contains additional general information about Mitie.

Please visit www.mitie.com