10 June 2021
Mitie Group plc

Full Year results for the twelve months to 31 March 2021
"A defining year of strategic progress and financial resilience"

- Good trading resilience through COVID-19: revenue including share of joint ventures and associates of £2,589m[1], up 19.1%; excluding the contribution from Interserve, revenue was 1.6% lower
- Group revenue[1] of £2,560m (FY20 £2,174m)
- Operating profit before other items[4] of £63.4m (FY20 £86.1m) - impacted by revenue mix and reduced project work due to COVID-19
- Stronger second half with revenue growth of 6.5% versus previous year
- Interserve Facilities Management ("Interserve") acquisition performing better than expected, accelerating value creation. £6.2m cost and revenue synergies achieved in FY21. Cost synergies raised to £42m (from £35m) achieved by FY23 – at same cost
- Market leadership in our three core markets: Cleaning, Security and Technical Services
- Strengthened balance sheet: £190m rights issue; £250m RCF refinanced; and BBB Investment Grade credit rating achieved
- Average daily net debt significantly reduced to £47.1m (FY20 £327.6m) post-IFRS 16
- Outlook for FY22 anticipated to be materially ahead of our prior expectations

Results for the twelve months ended 31 March 2021

£m unless otherwise specified	**Twelve months to 31 March 2021** Before other items[2]	Other items[2]	Total	Twelve months to 31 March 2020 Before other items[2]	Other items[2]	Total
Revenue including share of JVs & associates[1]	2,589	-	2,589	2,174	-	2,174
Group revenue[1]	2,560	-	2,560	2,174	-	2,174
Revenue excluding Interserve[3]	2,139	-	2,139	2,174	-	2,174
Operating profit[4]	63.4	(55.1)	8.3	86.1	(21.5)	64.6
Operating profit margin[4]	*2.4%*		*0.3%*	*4.0%*		*3.0%*
Profit/(loss) before tax[1]	46.0	(55.1)	(9.1)	69.9	(21.5)	48.4
Profit/(loss) for the year[1]	37.5	(47.6)	(10.1)	58.0	(17.5)	40.5
Basic earnings/(loss) per share[1,5]	3.5p		(0.9)p	8.3p		5.8p
Dividend per share[6]			-			0.69p
Average daily net debt (post-IFRS 16)			(47.1)			(327.6)
Closing net debt (post-IFRS 16)[7]			(86.7)			(153.0)
Secured order book			7,202			4,294

Commenting on FY21 results, Phil Bentley, Group Chief Executive, said:

"FY21 was a defining year for Mitie and completes our four year transformation. The Group showed great resilience during the COVID pandemic; we strengthened our balance sheet; and the Interserve acquisition is performing well. Mitie is now the market leading provider of intelligent technology-led facilities management, with a clear pathway to deliver growth and sustainable free cash flow.

Notes:
1. From continuing operations.
2. Other items are as described in Note 4 to the condensed consolidated financial statements.
3. Group revenue from continuing operations adjusted to exclude revenue from Interserve Facilities Management.
4. Operating profit from continuing operations includes share of profit after tax from joint ventures and associates.
5. Earnings per share from continuing operations for FY20 have been restated for the bonus element of the rights issue.
6. Interim dividend for FY20 was 1.33p; the subsequent 11 for 5 rights issue adjusts the dividend to 0.69p.
7. FY20 closing net debt has been restated for a change in accounting policy see Note 1 to the condensed consolidated financial statements.

"I am so proud of our 65,000 front-line heroes who have gone to work every day throughout the pandemic, delivering exceptional customer service and keeping Britain's vital infrastructure – hospitals, schools, supermarkets, manufacturing plants and some of Britain's most strategic assets – clean, safe and properly maintained. An unprecedented 30,000 of our colleagues recently completed our annual employee engagement survey which saw an impressive 9ppt improvement.

"Although COVID has challenged us all, our business has been far more resilient than we originally expected, with revenue, excluding the contribution from Interserve, just 1.6% lower than the prior year. The second half of the year was significantly better than the first half, with 6.5% year on year growth, as variable projects and discretionary spend works picked up and cleaning and security demand increased.

"Interserve is performing strongly as part of Mitie and we have successfully renewed or extended all major Interserve contracts that were due for renewal. We have also realised £6.2m of synergies in FY21 and have identified additional cost synergies to take our forecast run rate from £35m to £42m by end FY23.

"Mitie has been transformed over the last four years. Our focus on delivering great service, backed by our technology offering, has resulted in our highest ever customer net promoter score of +50 ppts and all-time high contract renewal rates of 96%, complemented by significant new customer wins.

"As businesses slowly start to reopen and our customers' employees return to offices, we are starting to see some green shoots of recovery in the variable project and discretionary spend works and we anticipate this continuing as re-occupation plans solidify. With some high-quality new contract wins, short-term support to the public sector and additional synergies from the integration of Interserve, we now anticipate FY22 will be materially ahead of our prior expectations.

"The transformation of Mitie and the acquisition of Interserve has created a strong base from which Mitie is well positioned to prosper. Our new strategy will focus on increasing growth, margin enhancement and cash generation. The new Mitie will target, over the medium term, mid single digit revenue growth, margins of 4.5-5.5%, sustainable free cash flow and ROIC in excess of 20%."

- END -

The Chief Executive's Review, Operating Review and Finance Review follow from page 4.

Analyst Presentation and Q&A

Phil Bentley (CEO) and Simon Kirkpatrick (CFO) will host a presentation and Q&A session today (10 June 2021) at 9.30am via Zoom. For dial in details please contact Fiona.lawrenceIR@mitie.com. A copy of the presentation will be available on the Company website in advance of the live presentation. www.mitie.com/investors.

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About Mitie

Founded in 1987, Mitie's job is to look after the places where Britain works and is the leading facilities management company in the UK.

We offer a range of services in the Public Sector to **Central Government and Defence** customers; **and to Communities** (Healthcare, Education and Local Authorities) customers; and **Technical Services** (Engineering Services, Energy, Water and Real Estate Services) and **Business Services** (Security, Cleaning and Office Services) to Private Sector clients in Financial Services, Manufacturing, Transport, Retail and Telecoms and increasingly to the public sector. Finally, our **Specialist Services** (Care & Custody, Landscapes and Waste Management) division serves both the public and private sector in higher margin niche businesses.

Mitie acquired Interserve's Facilities Management business on 30 November 2020 and now employs 75,000 people. We are the champion of the 'Front-Line Heroes' who have kept Britain working during the COVID-19 pandemic. We take care of our customers' people and buildings, through the 'Science of Service', delivering essential services and deploying industry leading technology to create safe and effective workspaces.

The business continues to execute its technology-led strategy has received multiple awards for the progress it has made.

Find out more at **www.mitie.com**.

The business continues to execute its technology-led investment strategy and has received multiple awards for the progress it has made:

Corporate
- Armed Forces Covenant signatory
- Best Website, UK Digital Experience Awards
- Bronze Award, Fleet Operator Recognition Scheme
- CIPS Procurement Excellence Award
- Gold Award, Defence Employer Recognition Scheme
- Inhouse Legal Team of the Year, LexisNexis Legal Awards
- Institute of Internal Communications National Awards for Best News Magazine and Best Video Animation
- IWFM COVID-19 Response Award: Keeping Good Work Going
- Best Corporate Magazine, Corporate and Financial Awards

Technology
- UK IT Industry award for the Artificial Intelligence/ Machine Learning project of the year with Esme Chatbot
- Computing Digital Technology Leaders Award for Big Data / IoT Project of the Year
- Data Into Insight and Artificial Intelligence & Machine Learning Project of the Year, Real IT Awards
- Mitie Fire & Security Systems - Outstanding Security Installer/Integrator
- Merlin Protect 24/7 – Mitie Security - Outstanding New Security Product
- Mitie Security - Outstanding Contract Security Company
- National British Security Awards: Best use of Technology
- Verdantix Smart Building Innovation Award for Facilities Management Services
- Lockdown Hero of the Year – Mitie Security, Security and Fire Excellence Awards
- Outstanding Security Team – Mitie Security, Outstanding Security Performance Awards

ESG
- A- 'Leadership' rating for Climate Change, CDP
- 9.8 'Negligible Risk' ESG score, Sustainalytics
- AA 'Leadership' rating, MSCI
- FTSE4Good Developed Index
- Green Fleet of the Year, Business Car Awards
- Green Fleet Private Sector Fleet of the Year, Green Fleet Awards
- 'Most Inclusive' Top 50 Company
- RE100, EP100 and EV100, The Climate Group
- RoSPA Gold - Royal Society for the Prevention of Accidents
- Top Employer, recognised by Top Employers' Institute
- Gold Award, Sustainable FM Index

Chief Executive's strategic review

Mitie's strategic transformation

Mitie has been transformed over the last four years. Our focus on delivering great service, delivered cost-efficiently by great people, and backed by our technology, has resulted in our highest ever customer Net Promoter Score (NPS) of +50 ppts and all-time high contract renewal rates of 96%, complemented by significant new customer wins.

Mitie's strategy has been based around the four pillars of Customer, People, Technology and Balance Sheet/Cost. We are focused on becoming the market leader in the three core facilities management services of Cleaning, Security and Technical Services and achieving a best-in-class customer NPS. The acquisition of Interserve Facilities Management ("Interserve") on 30 November 2020 has bolstered Mitie's Public Sector standing, gaining leadership positions across Central Government and Defence, Healthcare and critical infrastructure.

<u>Customer</u>
Reflecting our focus on putting our customers at the heart of our business, Mitie's NPS has increased to +50ppts from -27ppts four years ago. This is largely due to the introduction of award-winning marketing campaigns and Strategic Account Managers (SAMs) empowered to deliver exceptional customer service, backed by leading technology. The creation of SAM accounts has also supported an increase in cross-selling and upselling, benefiting revenue growth.

<u>People</u>
Four years ago Mitie set out to create a '*Great place to work*' and to be the '*Employer of choice*' in the facilities management industry. Significant progress has been made on both counts with our Employee Engagement score increasing from 33% to 55% and employee retention rates significantly improving. We have continued to invest in our colleagues, whether it be through an additional day's holiday for our front-line, an enhanced benefits package including Salary Finance, life assurance, a Virtual GP service, or learning and development to help colleagues build on their skills. Uniquely all Mitie colleagues have been granted free shares and will therefore share in the value they are helping to create. All Mitie benefits were put in place for Interserve colleagues from 1 December 2020.

<u>Technology</u>
A third strategic imperative was to embed technology to differentiate Mitie's offering across all service lines. The Group now has an advanced cyber-resilient, cloud-based IT platform to run the business, largely automating our systems supporting workforce management (Workplace+); workflow management systems (Forté); our HR/payroll processes (SAP Success Factors); and our back-office finance and procurement processes. COVID has highlighted the strength of Mitie's technology. Digital Workplace and Monitoring have allowed customers to manage their building capacity, utilise cleaning more efficiently and keep buildings secure during periods of closure or semi-occupation. There are now 34 customers automatically served by 'chatbots' and 94 customers receiving real time management information (MI). Mitie leads the industry in cyber resiliency. Straight-through processing in HR and Finance have advanced considerably. The roll out of Mitie technology to Interserve customers is a priority, with 26 customers expected to move onto our chatbot or MI platforms, with half due to be delivered between now and September. This is a key driver to improve Interserve customers' NPS.

<u>Balance Sheet/Cost</u>
The fourth element of our strategy was to strengthen our balance sheet and reduce costs. Our balance sheet today is significantly stronger with net assets of £362m at 31 March 2021, compared to £81m at the prior year end, with sustainable leverage of less than 1x our EBITDA and a significant reduction in off balance sheet financing. £45m total savings were achieved from Project Helix (IT/Finance/HR/Management) and reinvested for long-term growth in SAMs, sales and marketing,

modernising IT and investment in technology. Project Forté is expected to deliver net savings of £15-20m as it seeks to drive efficiency and productivity across Technical Services. The experience gained from rolling out WorkPlace Plus and Forté, as well as from the integration of VSG in 2019, will help to deliver a successful integration of Interserve.

COVID-19 ("COVID")

Mitie has provided critical and essential support to customers and to the wider British public during the pandemic through its delivery of additional security and specialist cleaning services, mobilising three Nightingale Hospitals and standing up over 200 COVID testing centres. Mitie has played an important role keeping Britain working during the pandemic, although profitability has been impacted from the reduced demand for core facilities management, and the drop off in variable project and discretionary work. Customers have also delayed procurement decisions and offered short-term extensions for contracts which would normally have renewed for a longer period, thus resulting in a slightly reduced order book.

Mitie established three overriding priorities in response to the COVID crisis: protecting the health and safety of colleagues, customers, and the communities that Mitie serves; ensuring the Group could continue to operate and deliver essential services to customers; and finally, preserving financial strength through cost saving initiatives, delaying certain tax payments and utilising the Coronavirus Job Retention Scheme.

Pay rises for staff were deferred and the Board took voluntary pay cuts of up to 30% to preserve cash.

As trading performance improved in the second half of FY21, the financial benefits offered by Government were repaid, including HMRC's 'Time to Pay' initiative and those furlough payments relating to colleagues employed directly at Mitie's own operations.

Outlook

Although the world of work in a post-COVID environment is changing, Mitie's investments in customer-facing technology, as well as in the efficiencies by which we manage our 'workflow' and our 'workforce' – collectively what we call 'The Science of Service' – positions Mitie well to prosper from its industry-leading NPS and E-ENG scores, with good performance in retention and new business wins. New working environments require improved standards of assurance and monitoring with employee well-being at their heart. This plays to Mitie's strategy of building leading technical skills at its Cleaning, Security and Technical Services' Centres of Excellence.

As businesses slowly start to reopen and our customers' employees return to offices, we are starting to see some green shoots of recovery in the variable project and discretionary spend works and we anticipate this continuing as re-occupation plans solidify. With some high-quality new contract wins, short-term support to the public sector and additional synergies from the integration of Interserve, we now anticipate FY22 will be materially ahead of our prior expectations.

The transformation of Mitie and the acquisition of Interserve has created a strong base from which Mitie is well positioned to prosper. Our new strategy will focus on increasing growth, margin enhancement and cash generation. The new Mitie will target, over the medium term, mid single digit revenue growth, margins of 4.5-5.5%, sustainable free cash flow and ROIC in excess of 20%.

Financial performance

Revenue

Revenue, including share of joint ventures and associates, from continuing operations and, including a four-month contribution from Interserve, was £2,589m, an increase of 19.1% compared to the prior year. Excluding the contribution from Interserve, revenue was £2,139m, 1.6% lower than the prior year as variable and discretionary projects declined due to building closures or lower occupancy.

Revenue growth in the second half of the year, excluding the contribution from Interserve, was 6.5% (H1 decline of 9.8%) as a result of a stronger performance from Technical Services - where projects and variable works saw an uplift in demand - combined with a very strong final quarter of the year from Business Services.

Operating profit

Operating profit from continuing operations, before other items was £63.4m (FY20 £86.1m), 26% lower than the prior year as the additional profit from contract wins, inclusion of Interserve and associated £6.2m of synergies was more than offset by the impact of COVID on trading, the ending of certain profitable contracts in the prior year and the reinstatement of incentives and share based payments (which were waived last year to preserve our financial strength). Operating margin reduced to 2.4% (FY20 4.0%). This margin decline largely reflects the lower margin mix of revenues related to contracts supporting the Government's fight against COVID, lost revenue from higher margin variable and project works and the higher margin contracts which ended in FY20. Further margin declines were mitigated by tight cost management.

Cost management

Managing costs and improving operational efficiency remains an important focus and whilst the short-term pay cut measures of up to 30% taken in the early months of the COVID pandemic have been reversed, the opportunity to remove costs through property portfolio rationalisation, procurement controls and our fixed cost base - including the creation of a single management team in Cleaning and Security - all resulted in cost savings. Project Forté is making good progress, with additional savings delivered in FY21, and is on track to go live in December 2021.

Order book

The order book, as at 31 March 2021, was £7,202m, including £3,157m from Interserve. Across the industry, many contracts due to renew in FY21 were extended temporarily, reducing the number of new, longer term opportunities. However, overall win rates were at 70%, the highest level in the last four years, with retenders and extensions at 96%.

Whilst sales activity is picking up it continues to be lower than pre-COVID levels. Mitie has won or renewed contracts worth c.£1.3bn, with Business Services winning or renewing £720m and Technical Services winning or renewing £427m. New wins included Magnox, MBNA, Marks & Spencer, East & North Hertfordshire NHS Trust, Essex County Council, Department of Health and Social Care, Co-Op and Cornerstone. New contract extensions from longstanding clients such as Rolls Royce, Linklaters, Deloitte, Tesco and the Scottish Government helped our renewal rates.

The majority of the Interserve order book relates to the Communities division, where longer contracts (average 15 years) are prevalent. All the major Interserve contracts that came up for renewal in the four-month period under Mitie have been renewed or extended.

Integration of Interserve Facilities Management ("Interserve")

Mitie acquired Interserve on 30 November 2020 and the integration has been proceeding smoothly and at pace with the early delivery of £6.2m cost and revenue synergies from headcount reductions, procurement savings and offices which were closed before the end of FY21.

Total cost synergies are now expected to be £42m (previously £35m) to be delivered by end FY23 and for the same costs to achieve of £33.4m as originally identified. Additional synergies have been identified across headcount, additional property exits and further procurement savings. To drive revenue synergies a '*Mitie First*' policy was implemented to increase self-delivery particularly in Fire & Security, Landscapes and Waste.

All transferred Interserve colleagues received access to Life Assurance, Virtual GP Service and Mitie's Employee Assistance Programme from 1 December. Two cohorts of ex-Interserve employees have already been migrated to Mitie's HR and payroll systems providing access to additional benefits, such as the employee discount site and Salary Finance. The remaining transferring Interserve colleagues will be transitioned by October.

Five transferring Interserve properties have been exited with leases ending or being made onerous and a further two Mitie properties have been exited through the integration property rationalisation. Two further properties have been identified for closure within the next six months. Ingenuity House will be exited and replaced with a smaller Midlands hub by November.

Technology integration has made excellent progress with key deliverables including; the roll out of Mitie laptops; Microsoft Teams roll out to all Central Government & Defence customer support teams; completion of a number of Cyber enhancement projects; and the transition from the Interserve ERP system AX12 to Mitie's SAP environment. For the roll out of customer-facing technology, 26 former Interserve customers have been prioritised. The 'Mozaic' MI dashboard is being configured with the first customers live in July and 'Aria' and 'Esme' is being piloted for 2 customers. Proactive engagement with customers is ongoing around Connected Engineer, Digital Maintenance and Monitoring as a Service. As technology integration progresses, elements of the transitional IT support provided by Interserve Group Ltd have been exited, with the remainder to be terminated on schedule by the end of November.

From 1 April 2021 all contracts previously managed under the Interserve Business & Industry division have been moved to Technical Services or Business Services thus allowing the B&I management team to be exited. CG&D will operate as a standalone division, as will the Communities division which now includes all the PFI and Healthcare contracts formerly within Mitie. Mitie will report in line with the new divisional structure for the first six months of FY22 in November 2021.

Since taking over Interserve it is clear that there is greater opportunity to create value through additional cost and revenue synergies than first thought. Whilst there remains considerable work to be done, we are optimistic that there is significant additional value to be gained over the next three years. To align the senior leadership team with delivering greater benefits from the acquisition and to incentivise accelerated delivery of shareholder value, the Board intends to seek approval for a one-off conditional share award (Enhanced Delivery Plan) at this year's Annual General Meeting. The award will only crystallise with the delivery of superior returns on invested capital and exceptional cost and revenue synergies measured over three years.

Social Value and Responsible Business

Environmental, Social and Governance (ESG) initiatives form a key part of the philosophy of the way we do business at Mitie. We are aiming to be net zero carbon by 2025 and generate increased social value as a leading ESG company.

Mitie has received external recognition from three of the leading ESG rating organisations: CDP rating of A-, MSCI rating of AA; and Sustainalytics rating of 9.8. Together these position Mitie as a global leader in ESG and the highest ranked FM company globally.

Mitie has the largest electric vehicle fleet in Britain with over 1,200 EVs; we have signed up to the Business Ambition for 1.5°C, the Race to Zero, RE100/EV100/EP100, and are committed to science-based targets to decarbonise our supply chain by 2035.

Dividend

In light of the unprecedented events caused by the COVID pandemic in FY21, the Board does not recommend the payment of a final dividend for FY21. The Board will keep under review the possibility of a resumption of dividends in FY22 as confidence in the delivery of free cash flow and acquisition synergies grows.

Operating Review

Business Services

Business Services, £m	**FY21**	**FY20**	***Change, %***
Revenue	**1,085.0**	**986.9**	**9.9%**
Cleaning	*349.5*	*340.5*	*2.6%*
Security	*668.8*	*562.7*	*18.9%*
Office Services[1]	*66.7*	*83.7*	*(20.3)%*
Operating profit before other items	**49.4**	**42.2**	**17.1%**
Operating profit margin before other items, %	*4.6%*	*4.3%*	*0.3ppt*
Order book	1,633	1,835	*(11.0)%*
Number of employees	37,858	34,321	*10.3%*

[1] *Office Services comprises Document Management, Vetting and Front of House*

Performance highlights

- Revenue growth of 9.9% as a result of new Government contracts from DHSC and HMRC and the demand for additional hygiene services
- Single management team for Cleaning and Security delivered cost savings and productivity improvements contributing to margin improvement to 4.6%
- £720m worth of new, renewed or extended contracts
- Net promoter score of +47 (FY20 +28)
- 4,725 additional employees joined during the pandemic

Operational performance

Working with customers to keep their workspaces safe, clean and operating during the COVID pandemic has been the priority. COVID has accelerated the demand for Mitie's intelligent technology solutions in Cleaning and Security as the transition to remote working and flexible office occupation is managed alongside creating a safe and secure environment.

Financial performance

Business Services increased revenue by 9.9% to £1,085.0m (FY20 £986.9m), boosted by a 17.9% increase in the second half compared with the second half of the prior year. Whilst work supporting the UK Government in testing centres was the primary factor, the division also secured a number of new contract wins. Office Services reported a decline in revenue of 20.3% with a slightly better second half performance, influenced largely by the aviation sector in the Vetting (Procius) business.

Operating profit before other items was up by 17.1% to £49.4m (FY20 £42.2m) reflecting both increased sales and the benefits of combining the Cleaning and Security management teams. Despite adding lower margin COVID related revenues, margin increased to 4.6% (FY20 4.3%) due to an increase in higher margin specialist cleaning.

Business Services has won, renewed or extended £720m of contracts this year including Co-Op, East & North Hertfordshire NHS Trust, Hogan Lovells International, and North West Anglia NHS Foundation Trust. Key retentions in the period included Heathrow Airport, Kellogg's and the Scottish Government.

Business Services has started FY22 strongly with a number of new or expanded COVID contracts being mobilised from June. New contract wins with Associated British Ports and Amazon alongside contract renewals from existing key customers, including Co-Op, Heathrow Airport, Network Rail and SSE, will all contribute to a strong divisional performance in FY22.

Technical Services

Technical Services, £m	FY21	FY20	*Change,* %
Revenue	**820.7**	**947.2**	***(13.4)***%
Maintenance	697.0	789.7	*(11.7)*%
Engineering Projects	123.7	157.5	*(21.5)*%
Operating profit before other items	**26.4**	**55.9**	***(52.8)***%
Operating profit margin before other items, %	*3.2%*	*5.9%*	*(2.7)ppt*
Order book	1,884	1,914	*(1.6)*%
Number of employees	8,162	9,102	*(10.3)*%

Performance highlights

- Strong retention rate of 99% throughout a challenging year and extended key relationships with a number of top customers
- Productivity improved with jobs per day up 13%; self-delivery increased to 87% (FY20 84%)
- Project Forté delivered £4.4m of savings, £1.3m ahead of expectations, through the early introduction of supply chain management, RPA technologies and call centre efficiencies
- £427m worth of new, renewed or extended contracts
- Delivered £72m in renewable projects and services (FY20 £81m)
- Net promoter score increased to +51, a record high (FY20 +31)

Operational performance

Mitie responded quickly to the challenge of COVID and worked to renegotiate contracts and repurpose team members to support customers in a flexible manner.

During COVID, Mitie's technology ensured customers' buildings were safely maintained during long periods of closure. The remote monitoring platform monitored 125% more data points (desk sensors, room sensors) compared to the prior year. On five key contracts where Mitie deployed Monitoring as a Service, c.7,000 call outs / jobs were avoided, representing a reduction of 16% in the total jobs in the period for those contracts, reducing cost and carbon emissions and minimising onsite risk from COVID.

Mitie's Digital Workplace platform has supported customers to safely manage their workspace through the booking of desks and meeting rooms, and monitoring the occupancy and CO_2 changes to support a safe return to work. Our Luxibel UVC air purification product has been installed at four customers.

Project Forté is a complex project focused on re-engineering Technical Services' workflow processes. The Project continues to make good progress and we remain confident of a 'Go Live' in December 2021. In FY21 Project Forté has delivered £4.4m of benefits, £1.3m ahead of schedule, and remains on budget and on track to deliver a £15-20m net benefit by FY23.

The sector focused approach has continued to deliver new customer wins and, with a renewals rate of 99%, £427m has been added to the order book. Although many bids were delayed due to COVID, new deals were secured with key customers such as Magnox, QBE Insurance, MBNA, Bravissimo and Hain Daniels. Mitie Energy has delivered £72m in renewable projects and services including installing ground source heat pumps at one of our largest clients.

Financial performance

Technical Services reported revenue of £820.7m, a decrease of 13.4% in the year (FY20 £947.2m). Excluding the contracts which ended in FY20 (MOJ and a portion of NHS Properties), revenue decline was 8%. The broader economic impact from the pandemic was manifested in reduced office occupancy and retail footfall with significant reductions in the travel, automotive and leisure sectors. Performance in the second half reflected some improvement as customers increased spend on getting 'Back to Business'.

Operating profit before other items decreased by 52.8% to £26.4m (FY20: £55.9m). This is primarily due to the impact of COVID on higher margin discretionary spend works and engineering projects, and contracts which ended in FY20. Technical Services was quick to respond with a 17% reduction year on year in overheads including headcount, overtime and property reductions. The benefits from these actions, and a contribution from better supply chain rates, resulted in an improved second half performance. Operating profit margin for the second half was 3.9%, resulting in a full year operating profit margin of 3.2% (FY20 5.9%).

Technical Services has started to see some early signs of a recovery in variable project and discretionary spend works as businesses slowly start to reopen and our customers' employees return to offices. We anticipate this continuing as re-occupation plans solidify. This, in combination with some quality new wins and renewals, including the Scottish Government, make for an encouraging start to FY22.

Specialist Services

Specialist Services, £m	**FY21**	**FY20**	***Change, %***
Revenue	**233.6**	**239.6**	***(2.5)%***
Care & Custody	108.8	110.2	*(1.3)%*
Landscapes	50.2	47.8	*5.0%*
Waste	74.6	81.6	*(8.6)%*
Operating profit before other items	**22.5**	**25.3**	***(11.1)%***
Operating profit margin before other items, %	*9.6%*	*10.6%*	*(1.0)ppt*
Order book	528	545	*(3.1)%*
Number of employees	3,058	2,977	*2.7%*

Performance highlights

- During the year Care & Custody won a new contract at Hassockfield IRC
- Waste was successful in being added to two additional framework agreements for NHS Trusts to support future revenue growth
- Landscapes renewed its two largest customer contracts JLL and CBRE

Specialist Services revenue declined 2.5% to £233.6m (FY20 £239.6m) with operating profit of £22.5m, 11.1% below the prior year (FY20 £25.3m), and operating profit margin of 9.6% (FY20 10.6%).

Care & Custody's revenue declined to £108.8m (FY20 £110.2m). A reduction in variable escorting services activity and the closure of the Campsfield Immigration Removal Centre in FY20 were largely offset by the continued growth in revenue from Police services. Operational improvements have continued through the integration of Care & Custody's Workforce IT system with the bespoke detention and escorting 'MEDS' case management system. Cost reductions have been achieved as IT developments have enabled Care & Custody to reduce the number of call handlers and to consolidate the Police Health Control Centre activity into a single office. Operating profit before other items and operating profit margin were both slightly reduced to £7.4m (FY20 £7.7m) and 6.8% (FY20 7.0%).

Landscapes revenue increased by 5.0% to £50.2m (FY20 £47.8m) as growth returned strongly in the final quarter of the year. Operating profit before other items was slightly lower at £8.4m (FY20 £8.6m) as a result of higher costs relating to winter services, partially offset by cost savings. Landscapes has renewed its two largest customer contracts and, as part of a broader Mitie bundled offering secured £10.4m of new work.

Waste revenue decreased by 8.6% to £74.6m (FY20 £81.6m), as volumes reduced due to lower occupancy or footfall in travel, industrial, financial and commercial sectors. Revenue has also reduced due to operational efficiencies being passed back on the NHS clinical waste contract, offset by additional work for waste removal at our Testing Centres and Nightingale Hospitals. Operating profit before other items has fallen by 25.6% to

£6.7m (FY20 £9.0m) with an operating profit margin of 9.0% (FY20 11.0%) as profitability declines were partially offset by savings from headcount reductions.

FY22 has started well as Landscapes and Waste benefit from businesses slowly starting to reopen and our customers' employees returning to offices. Care & Custody has continued to see growth from Police Healthcare services and a small increase in detention escorting services.

Interserve Facilities Management ("Interserve")

Interserve was acquired by Mitie on 30 November 2020 and contributed four months of trading from 1 December 2020 to 31 March 2021 to Mitie's FY21 results. During this period, Interserve operated through three principal business divisions: Central Government & Defence ("CG&D") which provides facilities management services to central government departments in the United Kingdom and Europe, and the Ministry of Defence in the United Kingdom and overseas; Communities which provides services to devolved public sector customers, with a focus on community environments in healthcare, schools and universities, emergency services, and local authorities; and Business & Industry ("B&I") which provides services to private sector and other customers, including regulated businesses, shopping centres, transport providers and manufacturing and industrial companies.

Interserve, £m	**FY21**
Revenue inc. share of JV&A	**450.0**
CG&D	*230.4*
Communities	*95.8*
Business & Industry (B&I)	*123.8*
Operating profit before other items	**13.3**
Operating profit margin before other items, %	*3.0%*
Order book	3,157
Number of employees	25,287

Performance highlights

- Strong performance from CG&D in the UK with increased projects in the final quarter
- Early delivery of synergies of £3m contributed to £13.3m operating profit
- Three new contract wins and 10 renewals or extensions
- Project works won across schools and hospitals, including at King George's Hospital, Ilford

Operational performance

Since the acquisition focus has been on the early delivery of synergies, contract wins and renewals, and improving customer service. Interserve employees are in the process of transferring onto Mitie's payroll and HR systems, and strategic account managers are being trained in the Mitie SAM Programme to improve cross-selling and upselling capabilities.

Customer relationships are largely positive with 10 renewals or extensions in the four-month period. In addition, Communities won its first new contract under the Mitie brand with East and North Hertfordshire NHS Trust awarding a soft services contract for 10 years. Early customer feedback recognises the benefits that the introduction of Mitie's technology will bring, alongside enhanced data quality and operational excellence.

Financial highlights

Revenue of £450.0m for the four months to 31 March 2021 was an improvement on the comparative period last year due to additional COVID and non-COVID project works in CG&D and extra COVID related work in the Communities Healthcare portfolio. However, this was offset by COVID related downsides due to site access restrictions impacting catering and parking in Communities, and shopping centres in B&I in particular.

Operating profit before other items for the four-month period was £13.3m and includes £3m upside from Interserve's share of synergies, largely relating to headcount reductions. Profitability benefited from additional project works towards the end of the year which, when combined with the synergies, delivered an operating profit margin of 3.0%.

Following the strong fourth quarter of FY21, FY22 has started well for CG&D with the continued pick up in project work. Interserve has renewed or extended a further 13 contracts, with all divisions reflecting a promising start to FY22.

Corporate overheads

Corporate overheads represent the costs of running the Group and include costs for the head office commercial and business development, financial, marketing, legal and HR teams. Corporate overhead costs have increased to £48.2m in the year (FY20 £37.3m). The increase includes the additional costs incurred in providing all staff with Personal Protective Equipment (PPE) and making properties COVID compliant, the repayment of £4.1m of furlough monies, and the re-instatement of management incentives, which were put on hold last year due to COVID.

Finance review

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 underlying 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	**FY21**	**FY20**
Revenue including share of joint ventures and associates	**2,589**	2,174
Group revenue	**2,560**	2,174
Operating profit before other items	**63.4**	86.1
Other items	**(55.1)**	(21.5)
Operating profit	**8.3**	64.6
Net finance costs	**(17.4)**	(16.2)
Tax	**(1.0)**	(7.9)
(Loss)/profit after tax	**(10.1)**	40.5
Basic earnings per share before other items[1]	**3.5p**	8.3p
Basic (loss)/earnings per share[1]	**(0.9)p**	5.8p

[1] Earnings per share for FY20 have been restated for the bonus element of the FY21 rights issue

Revenue

Revenue from continuing operations of £2,589m, including share of revenue from joint ventures and associates, and including a four-month contribution from Interserve Facilities Management ("Interserve"), represented an increase of 19.1% when compared to the prior year. Excluding the contribution from Interserve, revenue was £2,139m, 1.6% lower than the prior year. Group revenue from continuing operations (which excludes revenue from joint ventures and associates) increased 17.8% to £2,560m, also including the post-acquisition contribution from Interserve.

Operating profit

Operating profit from continuing operations before other items was £63.4m (FY20: £86.1m), which was 26.4% lower than the prior year as the additional profit from contract wins and the four-month contribution from Interserve, including the associated £6.2m of synergies, was more than offset by the COVID impact on trading, completed contracts, the reinstatement of incentive payments and an increase in share-based payments. Operating margin reduced to 2.4% (FY20: 4.0%), largely reflecting the addition of COVID-related revenue at lower margins (supporting UK Government contracts) and temporarily lost revenue from higher margin variable and project works, combined with some higher margin contracts completed in FY20.

Operating profit was £8.3m, reflecting the additional impact of other items for the year.

Government support

The Group took advantage of UK Government support offered under the Time to Pay (TTP) scheme, allowing Mitie to defer payment of £133.2m of tax (PAYE and VAT) which would have been due in the period April to June 2020. Together with the £33.0m deferred in March 2020, the total amount deferred by Mitie under TTP was £166.2m. These deferred taxes were repaid in instalments, with the final payment made in January 2021, earlier than the April 2021 deadline. In addition, Interserve held an £18.5m deferred payment balance under TTP on the balance sheet at the date of the acquisition, which was repaid in December 2020, bringing the net repayment during the year to £51.5m. During the year the Group made use of the Government's Coronavirus Job Retention Scheme. The Group has subsequently repaid £4.1m to the Government relating to furloughed colleagues employed directly at Mitie's own operations[1].

Other items

Other Items, £m	£m
Interserve acquisition related costs	(14.8)
Interserve integration costs	(8.8)
Interserve amortisation of acquisition related intangible assets	(6.7)
Sub-total - Interserve related Other Items	**(30.3)**
Project Forté	(10.6)
Property transformation	(11.3)
Amortisation of non-Interserve acquisition related intangible assets	(2.2)
Other acquisition and disposal related costs	(0.6)
Other	(0.1)
Sub-total – Non-Interserve related Other Items	**(24.8)**
Total other items from continuing operations before tax	**(55.1)**
Other items from discontinued operations	3.2
Total Other Items before tax	**(51.9)**
Tax	7.1
Total Other Items after tax	**(44.8)**

Other items in FY21 resulted from the Group's ongoing transformation and M&A activity, which includes Project Forté, the property transformation programme, and the costs associated with the Interserve acquisition and integration.

The acquisition and integration of Interserve is significant in terms of both size and complexity, and the costs incurred reflect this. The acquisition related costs largely relate to the one-off professional fees for the transaction, whereas the integration costs primarily relate to the resources being deployed to implement integration and redundancies. The amortisation charge of £6.7m relates 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 total cost before tax of the Group's other transformation activity was £24.8m, of which £10.6m related to Project Forté. Project Forté is focused on re-engineering Technical Services' workflow processes. A further £11.3m related to the Group-wide property portfolio rationalisation, including impairments to right-of-use leased assets and provisions associated with related onerous contracts. This reflects the closure of seven offices.

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[1] *Further details can be found in Note 6 to the condensed consolidated financial statements*

The amortisation of non-Interserve acquisition related intangible assets is primarily associated with Vision Security Group, which was acquired in FY19, and Other Items relating to discontinued operations includes the partial release of provisions relating to the disposal of the Social Housing business, which are no longer required.

Net finance costs

Net finance costs were £17.4m (FY20: £16.2m), an increase of 7.4% compared to the prior year. The increased costs were principally driven by debt arrangement and amendment fees associated with the June 2020 refinancing and the securing of a relaxation of covenant thresholds until September 2022 (as discussed below).

Tax

Profit before other items and tax of £46.0m from continuing operations (FY20: £69.9m) resulted in a tax charge of £8.5m (FY20: £11.9m), representing an effective tax rate of 18.5% (FY20: 17.0%). Including other items, the tax charge for continuing operations was £1.0m (FY20: £7.9m).

Mitie is a significant contributor of revenues to the UK Exchequer, paying £640.0m in the year (FY20: £504.9m). Of this total, £116.6m relates to taxes borne by Mitie (principally employer's National Insurance contributions) and £523.4m relates to taxes collected by Mitie on behalf of the UK Exchequer (principally VAT, income tax under PAYE and employees' National Insurance contributions).

Joint ventures and associates

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

Earnings per share

Basic earnings per share before other items from continuing operations, decreased by 57.8% to 3.5p (FY20 restated: 8.3p). This is as a result of the lower profit before tax, driven by the lower operating profit noted above, combined with a higher weighted average number of shares in issue following the rights issue and shares issued as part of the acquisition of Interserve. Earnings per share for FY20 has been restated for the bonus element of the FY21 rights issue.

Basic earnings per share was (0.9)p (FY20 restated: 5.8p), with the reduction reflecting the factors outlined above, plus the impact of a higher level of other items in FY21.

Balance sheet

£m	FY21	Restated[1] FY20
Goodwill and intangible assets	**548.4**	329.5
Property, plant and equipment	**117.9**	110.8
Interest in joint ventures and associates	**11.0**	-
Working capital balances[1]	**(165.7)**	(137.7)
Provisions	**(116.4)**	(53.2)
Net debt[1]	**(86.7)**	(153.0)
Net retirement benefit liabilities	**(42.5)**	(46.7)
Deferred tax	**19.8**	29.7
Other net assets	**76.0**	1.1
Total net assets	**361.8**	80.5

[1] Working capital and net debt balances for FY20 have been restated due to a change in accounting policy related to BACS payments (see Note 1 to the condensed consolidated financial statements)

Overall, the Group reported net assets of £361.8m at 31 March 2021, which is an increase of £281.3m compared with 31 March 2020. The increase is primarily the result of the £190.4m net proceeds from the rights issue plus £138.7m of net assets acquired related to the Interserve transaction and the £57.6m receivable related to the provisional adjustment to consideration (see below), partially offset by the £105.0m cash consideration paid.

Acquisition of Interserve

The acquisition of Interserve has added the provisional values of £3.3m for goodwill and £138.7m for the acquired identifiable net assets and liabilities to the balance sheet, in return for total consideration of £142.0m.

The net assets acquired of £138.7m include £219.3m attributed to acquired intangible assets, recognising the value associated with the customer contracts and relationships, £66.7m of provisions, and a £13.9m net liability from other assets and liabilities such as deferred tax, leases and joint ventures. Provisions include £13.0m for onerous contracts, mainly related to certain PFI contracts, and £37.2m for rectification works associated with pre-acquisition issues.

The total consideration of £142.0m comprises £199.6m of consideration already settled (£105.0m cash paid and £94.6m shares issued) less a provisional adjustment to consideration of £57.6m related to a completion accounts process, which is included as a receivable in the balance sheet as at 31 March 2021 (within Other net assets in the table above). The outcome of the completion accounts process is inherently uncertain, given that this is subject to a commercial negotiation and potentially expert determination, and the final adjustment agreed could therefore be materially different from this estimate.

Change in accounting policy

The Group has changed its accounting policy in relation to the recognition of BACS payments, whereby BACS payments are now recognised at the settlement date, rather than when they are initiated. This change was implemented as part of the alignment of accounting policies with Interserve and will provide operational benefits including simplifying the cash management process and accelerating period end reporting.

As a result of the change in accounting policy the balance sheet for FY20 has been restated to reclassify amounts between cash and working capital, which has had the result of reducing net debt by £14.9m at 31 March 2020 and increasing net debt by £5.4m at 1 April 2019. The impact of the new accounting policy for FY21 was an increase in net debt of £5.6m at 31 March 2021. As a consequence of the accounting policy change, cash generated from operations for FY21 is lower by £20.5m, but for FY20 the restated amount is better by £20.3m.

There has been no impact on the income statement, earnings per share or net assets as a result of this restatement.

Retirement benefit schemes

Net retirement benefit liabilities have reduced to £42.5m, compared with £46.7m at 31 March 2020, principally due to contributions and returns on plan assets, partially offset by a decrease in the discount rate reflecting a decrease in yields on high-quality corporate bonds. The net liabilities at 31 March 2021 included a net accounting surplus of £3.0m related to a scheme acquired with the Interserve business. There is also an accounting surplus related to a joint venture acquired with Interserve, Mitie's £2.2m share of which is reported within interest 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 negotiated, subject to final approval, a deficit recovery plan with the trustees totalling £93m over seven years, of which £11m was paid in FY21.

Cash flow and net debt

£m	FY21	Restated[1] FY20
Operating profit before other items (continuing operations)	**63.4**	86.1
Add back: depreciation, amortisation & impairment	46.9	43.9
Other movements (including other items)	(34.1)	(25.0)
Working capital movements[1]	(36.4)	(12.9)
Cash generated from operations	**39.8**	92.1
Capex, capital leases, dividends from JVs, interest & tax	(64.3)	(61.6)
Free cash (outflow)/inflow	**(24.5)**	30.5
Rights issue	190.4	-
Acquisitions & disposals	(84.0)	64.2
Dividends & other[2]	(15.6)	(14.1)
Decrease in net debt during the year	**66.3**	80.6
Closing net (debt)	**(86.7)**	(153.0)
Average net (debt)	**(47.1)**	(327.6)
Leverage covenant	**< 0x**	0.7x
Interest cover covenant	**8.5x**	9.3x

[1] Working capital balances for FY20 have been restated due to a change in accounting policy related to BACS payments with an increase in cash generated from operations of £20.3m for FY20 and a reduction of £14.9m in net debt at 31 March 2020 (see Note 1 to the condensed consolidated financial statements)
[2] Dividends & other for FY21 includes lease liabilities of £14.2m acquired with Interserve, and for FY20 includes dividends paid of £14.4m

The lower cash generated from operations is largely driven by the reduced operating profit before other items, due to the factors noted above, combined with the cash outflow from the increased level of other items, and higher adverse movements in working capital (see below). Other movements within cash generated from operations include pension deficit payments and non-cash adjustments relating to share-based payments.

Capex, capital leases, dividends from JVs, interest and tax resulted in a cash outflow of £64.3m, and there was a net Free Cash Outflow of £24.5m in FY21. Within this outflow there have been £98.0m of one-off working capital outflows in the year, which are explained further below. Excluding these one-off items, the Group would have had a Free Cash Inflow of £73.5m.

The Group received £190.4m of net proceeds from the Rights Issue, and the net cash outflow to acquire Interserve was £84.0m, reflecting £105.0m of consideration paid less cash on the balance sheet (excluding restricted cash of £19.4m). No dividends were paid in the year (FY20: £14.4m).

Working capital

Working capital movements resulted in an outflow for the year of £36.4m after the repayment of £51.5m of tax previously deferred under the HMRC TTP scheme, a further reduction in the invoice discounting programme of £19.0m and paying our suppliers faster over the year end period (impact estimated at £27.5m). Adjusting for these items, the underlying working capital showed an improvement of £61.6m, which was driven by strong working capital management, including billing process efficiencies.

Net debt

Average daily net debt of £47.1m for FY21 decreased by £280.5m in comparison to FY20, primarily as a result of the £190.4m net proceeds from the rights issue, and the benefit, at the maximum point, from the £166.2m of taxes deferred under the TTP scheme, which have since been fully repaid. Together, these two items improved average net debt by c.£220m compared to FY20, with the remaining improvement due to the underlying improvement in working capital referenced above.

Closing net debt on a post-IFRS 16 basis as at 31 March 2021 was £86.7m (compared with the restated £153.0m at 31 March 2020), reflecting the strengthened balance sheet following the rights issue.

Total Financial Obligations (TFO)

£m	FY21	Restated[1] FY20
Net (cash)/debt[1] pre-IFRS 16	**(19.7)**	**60.0**
Lease liabilities (IFRS 16)	106.4	93.0
Net debt[1] post-IFRS 16	**86.7**	**153.0**
Supply chain finance	-	16.0
Customer invoice discounting	51.7	70.7
Pension deficit	42.5	46.7
Total Financial Obligations (TFO)	**180.9**	**286.4**

[1] Net debt balance for FY20 has been restated due to a change in accounting policy related to BACS payments (see Note 1 to the condensed consolidated financial statements)

Mitie closed its supply chain finance programme in December 2020. Period-end TFO have continued to decrease significantly, reflecting Mitie's strategy to strengthen the balance sheet and decrease leverage.

Liquidity and covenants

As at 31 March 2021, the Group had £401.5m of committed funding arrangements. These comprised a £250m Revolving Credit Facility maturing in December 2022, and £151.5m of US Private Placement notes spread over two maturities: December 2022 (£121.5m); and December 2024 (£30.0m).

With effect from 10 June 2021, DBRS Morningstar assigned a credit rating of BBB with a stable outlook to Mitie. The Group intends to refinance its existing facilities over the course of the next year.

Mitie's two key covenant ratios are calculated on a pre-IFRS 16 basis. These are leverage (ratio of consolidated total net borrowings to adjusted consolidated EBITDA) and interest cover (ratio of consolidated EBITDA to consolidated net finance costs). Following the COVID-related amendments agreed in June 2020, the covenant thresholds on these ratios vary each period until September 2022, as set out in the table below:

Covenant	Mar-20	Mar-21	Sep-21	Mar-22	Sep-22
Interest Cover	> 4.0x	> 1.0x	> 2.5x	> 3.5x	> 4.0x
Leverage	< 3.0x	< 4.0x	< 3.5x	< 3.0x	< 3.0x

As at 31 March 2021, the Group was operating well within these ratios at < 0x leverage and 8.5x interest cover. A reconciliation of the calculations is set out in the table below:

£m		FY21 (R12M)	Restated[1] FY20 (R12M)
Operating profit before other items[2]		**63.4**	**88.9**
Add: depreciation, amortisation & impairment		46.9	43.9
Headline EBITDA		**110.3**	**132.8**
Add: covenant adjustments		22.2	0.3
IFRS 16 EBITDA adjustment		(28.0)	(24.8)
Consolidated EBITDA	**(a)**	**104.5**	**108.3**
Full-year effect of acquisitions & disposals		23.4	(1.7)
Adjusted consolidated EBITDA	**(b)**	**127.9**	**106.6**
Net finance costs		**17.4**	**16.4**
Less: covenant adjustments		(1.8)	(1.7)
IFRS 16 finance costs adjustment		(3.3)	(3.1)
Consolidated net finance costs	**(c)**	**12.3**	**11.6**
Interest cover (ratio of (a) to (c))		**8.5x**	**9.3x**
Net (cash) / debt		**86.7**	**153.0**
Impact of hedge accounting & upfront fees		2.8	2.3
IFRS 16 net debt adjustment		(106.4)	(93.0)
Accounting policy change for recognition of BACS		(5.6)	14.9
Consolidated total net (cash) / borrowings	**(d)**	**(22.5)**	**77.2**
Leverage (ratio of (d) to (b))		**< 0x**	**0.72x**

[1] Net debt balance for FY20 has been restated due to a change in accounting policy related to BACS payments (see Note 1 to the condensed consolidated financial statements), however consolidated total net borrowings for covenant purposes remains unchanged

[2] Continuing and discontinued operations

Condensed consolidated income statement
For the year ended 31 March 2021

	Notes	2021 Before other items £m	2021 Other items[1] £m	2021 Total £m	2020 Before other items £m	2020 Other items[1] £m	2020 Total £m
Continuing operations							
Revenue including share of joint ventures and associates		**2,589.3**	–	**2,589.3**	2,173.7	–	2,173.7
Less: share of revenue of joint ventures and associates	12	**(29.8)**	–	**(29.8)**	–	–	–
Group revenue	3	**2,559.5**	–	**2,559.5**	2,173.7	–	2,173.7
Cost of sales		**(2,274.9)**	–	**(2,274.9)**	(1,886.2)	–	(1,886.2)
Gross profit		**284.6**	–	**284.6**	287.5	–	287.5
Administrative expenses		**(223.1)**	**(53.9)**	**(277.0)**	(201.4)	(21.5)	(222.9)
Share of profit/(loss) of joint ventures and associates	12	**1.9**	**(1.2)**	**0.7**	–	–	–
Operating profit/(loss)[2]	3	**63.4**	**(55.1)**	**8.3**	86.1	(21.5)	64.6
Finance income		**0.8**	–	**0.8**	0.4	–	0.4
Finance costs		**(18.2)**	–	**(18.2)**	(16.6)	–	(16.6)
Net finance costs		**(17.4)**	–	**(17.4)**	(16.2)	–	(16.2)
Profit/(loss) before tax		**46.0**	**(55.1)**	**(9.1)**	69.9	(21.5)	48.4
Tax	7	**(8.5)**	**7.5**	**(1.0)**	(11.9)	4.0	(7.9)
Profit/(loss) from continuing operations after tax		**37.5**	**(47.6)**	**(10.1)**	58.0	(17.5)	40.5
Discontinued operations							
Profit from discontinued operations before tax	5	–	**3.2**	**3.2**	2.6	49.0	51.6
Tax	7	–	**(0.4)**	**(0.4)**	(0.3)	(1.3)	(1.6)
Profit from discontinued operations after tax	5	–	**2.8**	**2.8**	2.3	47.7	50.0
Profit/(loss) for the year attributable to owners of the parent		**37.5**	**(44.8)**	**(7.3)**	60.3	30.2	90.5
Earnings/(loss) per share (EPS) attributable to owners of the parent							
From continuing operations:							
Basic[3]	9	**3.5p**		**(0.9)p**	8.3p		5.8p
Diluted[3]	9	**3.5p**		**(0.9)p**	8.1p		5.6p
Total Group:							
Basic[3]	9	**3.5p**		**(0.6)p**	8.6p		12.9p
Diluted[3]	9	**3.5p**		**(0.6)p**	8.4p		12.6p

Notes:
1. Other items are as described in Note 4.
2. Including impairment losses on trade receivables and accrued income of £6.2m (2020: £4.4m gains).
3. Earnings per share for the year ended 31 March 2020 have been restated for the bonus element of the 2020 rights issue. See Note 22.

Condensed consolidated statement of comprehensive income
For the year ended 31 March 2021

	Notes	2021 £m	2020 £m
(Loss)/profit for the year		**(7.3)**	90.5
Items that will not be reclassified to profit or loss in subsequent years			
Remeasurement of net defined benefit pension liability	21	**(5.4)**	9.2
Share of other comprehensive income of joint ventures	12	**0.4**	–
Tax credit/(charge) relating to items that will not be reclassified to profit or loss in subsequent years	7	**1.0**	(1.3)
		(4.0)	7.9
Items that may be reclassified to profit or loss in subsequent years			
Exchange differences on translation of foreign operations		**(0.9)**	0.2
Net (losses)/gains on cash flow hedges taken to equity[1]		**(1.1)**	5.7
Tax credit/(charge) relating to items that may be reclassified to profit or loss in subsequent years	7	**0.1**	(0.7)
		(1.9)	5.2
Other comprehensive (expense)/income for the year		**(5.9)**	13.1
Total comprehensive (expense)/income for the year attributable to owners of the parent		**(13.2)**	103.6

Note:

1. Net (losses)/gains on cash flow hedges taken to equity include a fair value loss of £13.7m (2020: £11.8m gain) on derivative financial instruments used for hedging private placement notes. This loss is netted against reclassifications related to foreign exchange gains on private placement notes of £12.6m (2020: £6.0m losses) and interest costs of £nil (2020: £0.1m).

Condensed consolidated balance sheet

As at 31 March 2021

	Notes	2021 £m	Restated[1] 2020 £m
Non-current assets			
Goodwill	10	**282.2**	278.9
Other intangible assets	11	**266.2**	50.6
Property, plant and equipment		**117.9**	110.8
Interest in joint ventures and associates	12	**11.0**	–
Derivative financial instruments		**14.6**	28.0
Other receivables	13	**8.3**	3.3
Contract assets		**2.4**	3.2
Retirement benefit assets	21	**3.0**	–
Deferred tax assets	16	**32.0**	32.6
Total non-current assets		**737.6**	507.4
Current assets			
Inventories		**12.7**	4.8
Trade and other receivables[1]	13	**683.6**	414.6
Contract assets		**1.5**	1.6
Derivative financial instruments		**–**	0.2
Current tax receivable		**3.5**	1.1
Cash and cash equivalents[1]	17	**196.2**	139.5
Total current assets		**897.5**	561.8
Total assets		**1,635.1**	1,069.2
Current liabilities			
Trade and other payables[1]	14	**(701.5)**	(513.4)
Deferred income		**(84.5)**	(35.9)
Current tax payable		**(3.8)**	–
Financing liabilities	18	**(28.7)**	(24.3)
Provisions	15	**(48.3)**	(41.4)
Total current liabilities		**(866.8)**	(615.0)
Net current assets/(liabilities)		**30.7**	(53.2)
Non-current liabilities			
Trade and other payables	14	**(0.5)**	(0.3)
Deferred income		**(30.1)**	(15.6)
Financing liabilities	18	**(250.1)**	(296.4)
Provisions	15	**(68.1)**	(11.8)
Retirement benefit liabilities	21	**(45.5)**	(46.7)
Deferred tax liabilities	16	**(12.2)**	(2.9)
Total non-current liabilities		**(406.5)**	(373.7)
Total liabilities		**(1,273.3)**	(988.7)
Net assets		**361.8**	80.5

Note:

1. The Group has changed its accounting policy in relation to the recognition of BACS payments (see Note 1). As a result, the comparatives as at 31 March 2020 have been restated with a reclassification between trade and other receivables, trade and other payables and cash and cash equivalents as set out in Note 1. There has been no change in net assets.

Condensed consolidated balance sheet continued
As at 31 March 2021

	2021 £m	2020 £m
Equity		
Share capital	**35.6**	9.3
Share premium account	**130.6**	130.6
Merger reserve	**358.6**	99.9
Own shares reserve	**(28.8)**	(34.2)
Other reserves[1]	**14.5**	9.5
Hedging and translation reserve	**(2.3)**	(0.4)
Retained losses	**(146.4)**	(134.2)
Equity attributable to owners of the parent	**361.8**	80.5

Note:

1. Other reserves include the share-based payments reserve, the revaluation reserve and the capital redemption reserve.

Condensed consolidated statement of changes in equity

For the year ended 31 March 2021

	Share capital £m	Share premium account £m	Merger reserve £m	Own shares reserve £m	Other reserves[1] £m	Hedging and translation reserve £m	Retained losses £m	**Total equity £m**
At 1 April 2019	9.3	130.6	104.2	(38.1)	10.3	(5.6)	(223.1)	**(12.4)**
Profit for the year	–	–	–	–	–	–	90.5	**90.5**
Other comprehensive income	–	–	–	–	–	5.2	7.9	**13.1**
Total comprehensive income	–	–	–	–	–	5.2	98.4	**103.6**
Transactions with owners								
Dividends paid	–	–	–	–	–	–	(14.4)	**(14.4)**
Share-based payments	–	–	–	3.9	(0.8)	–	0.6	**3.7**
Realised merger reserve	–	–	(4.3)	–	–	–	4.3	**–**
Total transactions with owners	–	–	(4.3)	3.9	(0.8)	–	(9.5)	**(10.7)**
At 31 March 2020	9.3	130.6	99.9	(34.2)	9.5	(0.4)	(134.2)	**80.5**
At 1 April 2020	9.3	130.6	99.9	(34.2)	9.5	(0.4)	(134.2)	**80.5**
Loss for the year	–	–	–	–	–	–	(7.3)	**(7.3)**
Other comprehensive expense	–	–	–	–	–	(1.9)	(4.0)	**(5.9)**
Total comprehensive expense	–	–	–	–	–	(1.9)	(11.3)	**(13.2)**
Transactions with owners								
Issue of shares[2]	26.3	–	261.7	–	–	–	–	**288.0**
Rights issue expenses[3]	–	–	(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	(2.3)	(146.4)	**361.8**

Notes:

1. Other reserves include the share-based payments reserve, the revaluation reserve and the capital redemption reserve.
2. As part of consideration for the acquisition of Interservefm (Holdings) Limited (Interserve), 248.4 million shares were issued with premium of £88.4m arising (see Note 20). In addition, 805.1 million shares were issued with premium of £173.3m arising in connection with the rights issue which utilised a cash box structure (see Note 22). These share issues qualified for merger relief under Section 612 of the Companies Act 2006, so that total premium arising of £261.7m was not required to be credited to the share premium account .
3. Under the cash box structure, the Group received £193.4m from the rights issue, after deduction of issue costs of £7.9m. The remaining £3.0m of rights issue expenses are payable by the Group and have been charged against the merger reserve (see Note 22).

Condensed consolidated statement of cash flows

For the year ended 31 March 2021

	Notes	2021 £m	Restated[1] 2020 £m
Continuing operations – operating profit before other items	3	**63.4**	86.1
Continuing operations – other items	4	**(55.1)**	(21.5)
Discontinued operations – operating (loss)/profit after other items	5	**3.2**	51.8
Adjustments for:			
Share-based payments expense		**9.5**	3.7
Defined benefit pension costs	21	**2.0**	1.3
Defined benefit pension contributions	21	**(12.2)**	(10.7)
Depreciation of property, plant and equipment		**34.4**	33.3
Amortisation of intangible assets	11	**17.5**	11.4
Amortisation of customer contracts and relationships for joint ventures arising on business combinations	12	**1.2**	–
Share of profit of joint ventures and associates	12	**(1.9)**	–
Amortisation of contract assets		**1.7**	1.5
Impairment of non-current assets		**13.7**	0.8
Loss on disposal of property, plant and equipment		**–**	0.3
Gain on disposal of businesses	5	**(1.2)**	(50.3)
Research and development tax credits		**–**	(0.8)
Other		**–**	(1.9)
Operating cash flows before movements in working capital		**76.2**	105.0
Increase in inventories		**(1.7)**	(1.2)
(Increase)/decrease in receivables[1]		**(4.3)**	24.9
Increase in contract assets		**(0.8)**	(0.5)
Increase/(decrease) in deferred income		**6.7**	(23.6)
Decrease in payables[1]		**(34.9)**	(8.5)
Decrease in provisions		**(1.4)**	(4.0)
Cash generated from operations		**39.8**	92.1
Income taxes paid		**(1.0)**	(6.4)
Interest paid		**(15.9)**	(15.4)
Net cash generated from operating activities		**22.9**	70.3
Investing activities			
Acquisition of businesses, net of cash acquired[2]	20	**(64.6)**	(1.0)
Disposal of businesses, net of cash disposed[3]	5	**–**	65.2
Interest received		**0.8**	0.4
Purchase of property, plant and equipment		**(7.6)**	(8.2)
Dividends received from joint ventures and associates	12	**0.8**	–
Purchase of other intangible assets	11	**(15.0)**	(11.2)
Disposal of property, plant and equipment		**1.0**	0.4
Net cash (used)/generated from investing activities		**(84.6)**	45.6

Notes:

1. The Group has changed its accounting policy in relation to the recognition of BACS payments (See Note 1). As a result the comparatives on the condensed consolidated statement of cash flows for the year ended 31 March 2020 have been restated, with an overall increase in net cash inflow of £20.3m due to an increase in payables of £16.3m and a decrease in receivables of £4.0m.
2. Acquisition of businesses is net of cash acquired of £40.4m (2020: £0.5m).
3. Disposal of businesses for the year ended 31 March 2020, is net of cash disposed of £4.5m and transaction costs paid for disposals of £3.0m.

Condensed consolidated statement of cash flows continued
For the year ended 31 March 2021

	Notes	2021 £m	Restated[1] 2020 £m
Financing activities			
Proceeds from issue of ordinary shares, net of issue costs	22	**193.4**	–
Rights issue expenses paid	22	**(3.0)**	–
Capital element of lease rentals		**(28.1)**	(21.2)
Repayment of bank loans		**(40.5)**	(3.9)
Private placement notes repaid		**–**	(40.0)
Payment of arrangement fees		**(2.8)**	–
Equity dividends paid	8	**–**	(14.4)
Net cash generated/(used) in financing activities		**119.0**	(79.5)
Net increase in cash and cash equivalents		**57.3**	36.4
Net cash and cash equivalents at beginning of the year[1]		**139.5**	103.0
Effect of foreign exchange rate changes		**(0.6)**	0.1
Net cash and cash equivalents at end of the year	17	**196.2**	139.5

Note:
1. The Group has changed its accounting policy in relation to the recognition of BACS payments (See Note 1). As a result the comparatives on the condensed consolidated statement of cash flows for the year ended 31 March 2020 have been restated, with an overall increase in net cash inflow of £20.3m due to an increase in payables of £16.3m and a decrease in receivables of £4.0m.

The above condensed consolidated statement of 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.

Reconciliation of net cash flow to movements in net debt	Notes	2021 £m	Restated[1] 2020 £m
Net increase in cash and cash equivalents		**57.3**	36.4
Less: increase in restricted cash		**(18.7)**	–
Net increase in unrestricted cash and cash equivalents		**38.6**	36.4
Cash drivers			
Repayment of bank loans		**40.5**	3.9
Private placement notes repaid		**–**	40.0
Payment of arrangement fees		**2.8**	–
Capital element of lease rentals		**28.1**	21.2
Non-cash drivers			
Non-cash movement in bank loans		**(1.1)**	(0.4)
Non-cash movement in private placement notes and associated hedges		**(1.1)**	5.7
Non-cash movement in lease liabilities[2]		**(41.1)**	(26.1)
Effect of foreign exchange rate changes		**(0.4)**	(0.1)
Decrease in net debt during the year		**66.3**	80.6
Opening net debt		**(153.0)**	(233.6)
Closing net debt	19	**(86.7)**	(153.0)

Note:
1. The Group has changed its accounting policy in relation to the recognition of BACS payments (See Note 1). As a result, the comparative net debt as at 31 March 2020 and 31 March 2019 have been restated leading to a decrease in net debt of £14.9m and an increase in net debt of £5.4m respectively.
2. Included within the non-cash movement in lease liabilities is £14.2m (2020: £nil) of lease liabilities arising on acquisition of Interserve. See Note 20.

Notes to the condensed consolidated financial statements

1. Basis of preparation and significant accounting policies

(a) Basis of preparation

The financial information in this announcement has been extracted from the Group's Annual Report and Accounts for the year ended 31 March 2021 and is prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. Whilst the financial information included in this preliminary announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS and the financial information set out does not constitute the Company's statutory accounts for the current or prior year.

Statutory accounts for the years ended 31 March 2021 and 31 March 2020 have been reported on by the Independent Auditor. The independent auditor's report for the year ended 31 March 2021 was unqualified and did not draw attention to any matters by way of emphasis. The independent auditor's report for the year ended 31 March 2020 was unqualified but did draw attention to a material uncertainty relating to going concern. The independent auditor's report for the year ended 31 March 2021 and 31 March 2020 did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006. Statutory accounts for the year ended 31 March 2020 have been filed with the Registrar and the statutory accounts for the year ended 31 March 2021 will be delivered following the Company's annual general meeting.

The condensed 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 condensed financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Directors have considered the Group's business activities and the principal risks and uncertainties.

The Directors have carried out an assessment on the Group's ability to continue as a going concern for the period of at least 12 months from the date of approval of the Group's financial statements. This assessment has involved the review of medium-term cash forecasts using the Group's cash flow model, based on the Board approved budget. This includes the ongoing impact of COVID-19 on each of the Group's operations. These base case forecasts indicate that the debt facilities currently in place are adequate to support the Group over the going concern assessment period.

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

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

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

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

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

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

Based on these assessments, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of no less than 12 months from the date of approval of the Group's financial statements. In addition, in respect of material uncertainty, the Directors consider that this is remote.

Accounting standards that are newly effective in the current year

None of the new standards and amendments that are effective for the first time in these condensed consolidated financial statements for the year ended 31 March 2021 have had a material effect on the Group.

The accounting policies and methods of calculation adopted in the preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 March 2020, which were prepared in accordance with IFRS as issued by the International Accounting Standards Board and as adopted for use in the European Union.

Accounting standards that are not yet mandatory and have not been applied by the Group

None of the new standards and amendments that are not yet effective are expected to have a material effect on the Group.

Statutory and non-statutory measures of performance

The condensed financial statements contain all the information and disclosures required by the relevant accounting standards and regulatory obligations that apply to the Group.

In the condensed 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 condensed 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 period and the extent to which results are influenced by material unusual and/or non-recurring items. Further detail of other items is set out in Note 4.

In addition, following the guidelines on Alternative Performance Measures (APMs) issued by the European Securities and Markets Authorities (ESMA), the Group has included an APM appendix to the condensed financial statements.

(b) Accounting policy change

On 30 November 2020, the Group acquired Interserve and undertook a review to align accounting policies across the enlarged Group. It was identified that Mitie's accounting policy in relation to accounting for Banker's Automated Clearing System (BACS) payments was different to that historically applied by Interserve. Mitie's accounting policy was to recognise BACS payments and receipts at the initiation date, whereas Interserve's was to recognise BACS payments and receipts at the settlement date. Following a review, it was decided to change Mitie's accounting policy and recognise BACS payments and receipts at the settlement date, as this would have operational benefits including simplifying the cash management process and accelerating period end reporting.

The change in accounting policy has been accounted for retrospectively, and accordingly, the comparative information for 31 March 2020 has been restated which has resulted in a reclassification between trade receivables, trade payables and cash and cash equivalents. As a consequence, net debt has also been restated (as set out in the table below) and cash generated from operations has also been restated (as set out in the footnotes to the condensed statement of consolidated cash flows). There has been no impact on the income statement, earnings per share or net assets.

The impact of the restatement on the condensed consolidated balance sheet at 31 March 2020 and 1 April 2019 is shown below.

31 March 2020	As reported £m	Reclassification £m	**As restated £m**
Cash and cash equivalents	124.6	14.9	**139.5**
Current trade and other receivables	403.1	11.5	414.6
Current trade and other payables	(487.0)	(26.4)	**(513.4)**
Net current liabilities	(53.2)	–	**(53.2)**
Net assets	80.5	–	**80.5**
Net debt	(167.9)	14.9	**(153.0)**

1 April 2019	As reported £m	Reclassification £m	**As restated £m**
Cash and cash equivalents	108.4	(5.4)	**103.0**
Current trade and other receivables	435.2	15.5	**450.7**
Current trade and other payables	(533.9)	(10.1)	**(544.0)**
Net current liabilities	(129.6)	–	**(129.6)**
Net liabilities	(12.4)	–	**(12.4)**
Net debt	(228.2)	(5.4)	**(233.6)**

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 condensed financial statements.

Revenue recognition

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

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.

Other items after tax of £44.8m were charged (2020: £30.2m credited) to the income statement for the year ended 31 March 2021. An 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 2021. 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. The judgement on specific allowance for impairments on receivables as at 31 March 2021 has included an assessment of COVID-19 impacts.

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
The Group completed the acquisition of Interserve on 30 November 2020. The provisional purchase consideration totalled £142.0m which resulted in a provisional goodwill balance of £3.3m recognised on acquisition, after considering the provisional fair values of the identifiable net assets acquired of £138.7m. See Note 20.

The total consideration reported of £142.0m includes a provisional value for the adjustment to consideration which relates to the completion accounts process for this transaction. This provisional value represents management's best estimate of the amount expected to be received through the completion accounts process. The adjustment has reduced the fair value of consideration and therefore goodwill by £57.6m, with a corresponding receivable being recorded. See Notes 13 and 20.

This has required management to make judgements around the outcome of the completion accounts process. The outcome of the completion accounts process is inherently uncertain, given that this is subject to a commercial negotiation and potentially expert determination, and the final amount agreed could therefore be materially different from the estimate.

The fair value of consideration and goodwill recognised are therefore provisional and subject to finalisation. As permitted under IFRS 3, any revisions to the purchase consideration or to the fair value of the assets and liabilities acquired, which arise in the 12 months following the date of acquisition and relate to conditions and information that existed at the date of acquisition, will result in an adjustment against the goodwill.

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. The most significant fair value adjustment relates to attributing value to the acquired intangible assets recognised (primarily customer contracts and relationships).

In determining the fair value of Interserve's 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 a provisional fair value for customer contracts and relationships of £219.3m with a corresponding provisional deferred tax liability in relation to those intangible assets of £41.5m. This provisional deferred tax liability has been partially offset by deferred tax assets in relation to unutilised income tax losses, accelerated capital allowances, retirement benefit liabilities and other short-term timing differences. The fair value of other intangible assets acquired (computer software) was estimated using a cost to purchase or replace the assets. The Group used independent valuation specialists to assist with identifying and valuing the acquired intangible assets.

Certain other judgements have been made relating to the fair value of contingent liabilities and, favourable or unfavourable leases and also to the recognition of right-of-use assets and corresponding lease liabilities.

Landmarc joint venture
The Group holds 51% of the equity shares in Landmarc Support Services (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 12.

Key sources of estimation uncertainty

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

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 2021 of £116.4m (2020: £53.2m). Further details are included in Note 15.

The Group has disclosed a contingent liability in relation to a cyber incident. On 13 May 2020, Interserve Group Limited (IGL) announced it was subject to a cyber-attack which affected elements of IGL's IT systems (including enterprise resource planning and human resource systems), including elements related to Interserve. The Information Commissioner's Office (the ICO) has advised IGL that it considers it likely that IGL or members of IGL (which could include Interserve) are in breach or likely to be in breach of certain articles of the UK GDPR and likely to be subject to regulatory action in respect of the matter which could result in a remedial order or fine. Management cannot predict the results of the ICO investigation and therefore the Group is unable to reliably estimate any meaningful settlement amount at the reporting date. It has therefore been disclosed as a contingent liability due to uncertainty regarding the amount of the liability. Further details are included in Note 23.

Onerous contract provisions

Onerous contract provisions totalling £12.2m have been recognised at 31 March 2021 (2020: £nil). These primarily arose on the acquisition of Interserve.

The Group assesses whether a contract is onerous on an individual basis 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 KPIs;
- Identifying cost saving initiatives that are considered to be reasonably certain 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 future range of possible outcomes in respect to 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 judgement identified above in measuring the provision are, in aggregate, those factors affecting the potential contract outcomes, the assessed range of possible outcomes on these contracts in the next financial year could potentially lead to a gain of up to £11.5m or a further loss of up to £12.8m being recognised.

Other contract specific provisions recognised on the acquisition of Interserve

In addition to the onerous contract provisions, the Group has recognised £41.9m of contract specific provisions at 31 March 2021 (2020: £10.7m). These have been recognised primarily to cover costs required to meet specific contractual obligations.

£14.6m of this balance relates to a significant liability risk on a certain contract, which is subject to a dispute. Management sought external assistance to value the potential risk exposure to the Group. The actual exposure to the Group may differ to what has been provided at 31 March 2021 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, a reasonably possible set of alternative outcomes could increase the liability to £22.0m, 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.

Measurement of defined benefit pension obligations

The net pension liability at 31 March 2021 was £42.5m (2020: £46.7m), which includes a retirement benefit asset of £3.0m (2020: £nil).

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 21 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 2021 for Section 75 employer debts in respect of the participation of Robert Prettie & Co. Limited and Mitie FM Limited (formerly Interserve (Facilities Management) Limited) in the Plumbing Scheme.

Deferred tax assets

The Group has recognised deferred tax assets of £32.0m (2020: £32.6m), refer to Note 16. Management has assessed recovery of these assets with reference to the Group's medium-term forecasts. Recovery of these assets is subject to the Group generating taxable profits in future years.

3. Business segment information

The Group manages its business on a service division basis. At 31 March 2021, the Group had six reportable segments; Business Services, Technical Services, Care & Custody, Landscapes, Waste and Interserve. Care and Custody, Landscapes and Waste are aggregated and categorised as Specialist Services, however each of these businesses individually meets the IFRS 8 'Operating Segments' criteria for being a separate reportable segment.

The information, as reported, is consistent with information presented to the Board of Directors, which is the Group's chief operating decision maker. Revenue, 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. Segment assets have not been disclosed as they are not reviewed by the Board.

Income statement information

	2021			2020		
	Revenue[1] £m	**Operating profit/(loss) before other items[2] £m**	**Operating margin before other items[2] %**	Revenue £m	Operating profit/(loss) before other items[2] £m	Operating margin before other items[2] %
Business Services	**1,085.0**	**49.4**	**4.6**	986.9	42.2	4.3
Technical Services	**820.7**	**26.4**	**3.2**	947.2	55.9	5.9
Specialist Services	**233.6**	**22.5**	**9.6**	239.6	25.3	10.6
Care & Custody	***108.8***	***7.4***	***6.8***	*110.2*	*7.7*	*7.0*
Landscapes	***50.2***	***8.4***	***16.7***	*47.8*	*8.6*	*18.0*
Waste	***74.6***	***6.7***	***9.0***	*81.6*	*9.0*	*11.0*
Interserve	**450.0**	**13.3**	**3.0**	–	–	–
Corporate centre	**–**	**(48.2)**	**–**	–	(37.3)	–
Total from continuing operations	**2,589.3**	**63.4**	**2.4**	2,173.7	86.1	4.0
Catering	**–**	**–**	**–**	60.5	2.8	4.6
Total from discontinued operations	**–**	**–**	**–**	60.5	2.8	4.6
Total	**2,589.3**	**63.4**	**2.4**	2,234.2	88.9	4.0

Notes:

1. Revenue includes share of joint ventures and associates.
2. Other items are as described in Note 4.
3. No single customer accounted for more than 10% of external revenue in the year ended 31 March 2021 or in the comparative period. The UK Government Is not considered a single customer.

A reconciliation of segment operating profit before other items to total (loss)/profit before tax is provided below:

	2021 £m	2020 £m
Operating profit before other items	**63.4**	86.1
Other items[1]	**(55.1)**	(21.5)
Net finance costs	**(17.4)**	(16.2)
Total from continuing operations	**(9.1)**	48.4
Operating profit before other items	**–**	2.8
Other items[1]	**3.2**	49.0
Net finance costs	**–**	(0.2)
Total from discontinued operations	**3.2**	51.6
(Loss)/profit before tax	**(5.9)**	100.0

Note:

1. Other items are as described in Note 4.

Geographical segments

Revenue, operating profit and operating margin from external customers by geographical segment is shown below:

	2021			2020		
	Revenue[1] £m	Operating profit before other items[2] £m	Operating margin before other items[2] %	Revenue £m	Operating profit before other items[2] £m	Operating margin before other items[2] %
United Kingdom	**2,494.4**	**60.5**	**2.4**	2,108.6	85.2	4.0
Other countries	**94.9**	**2.9**	**3.1**	65.1	0.9	1.4
Continuing operations	**2,589.3**	**63.4**	**2.4**	2,173.7	86.1	4.0
United Kingdom	**–**	**–**	**–**	50.8	2.1	4.1
Other countries	**–**	**–**	**–**	9.7	0.7	7.2
Discontinued operations	**–**	**–**	**–**	60.5	2.8	4.6
Total	**2,589.3**	**63.4**	**2.4**	2,234.2	88.9	4.0

Notes:

1. Revenue includes share of joint ventures and associates.
2. 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:

	2021 £m	2020 £m
United Kingdom	**668.1**	435.5
Other countries	**11.9**	11.3
Total	**680.0**	446.8

Supplementary information

	2021				2020			
	Depreciation of property, plant and equipment £m	Amortisation of intangible assets £m	Amortisation of contract assets £m	Other items[1] £m	Depreciation of property, plant and equipment £m	Amortisation of intangible assets £m	Amortisation of contract assets £m	Other items[1] £m
Business Services	**3.2**	**1.1**	**–**	**18.6**	4.9	1.2	–	(0.2)
Technical Services	**0.6**	**0.5**	**1.0**	**22.7**	3.1	0.6	0.9	8.0
Specialist Services	**1.7**	**–**	**0.7**	**4.0**	2.3	–	0.6	0.2
Care & Custody	***0.3***	**–**	***0.7***	***1.9***	*0.3*	–	*0.6*	*0.1*
Landscapes	***0.8***	**–**	**–**	***0.8***	*1.1*	–	–	–
Waste	***0.6***	**–**	**–**	***1.3***	*0.9*	–	–	*0.1*
Interserve	**0.8**	**0.6**	**–**	**7.0**	–	–	–	–
Corporate centre	**28.1**	**15.3**	**–**	**2.8**	22.6	9.6	–	13.5
Continuing operations	**34.4**	**17.5**	**1.7**	**55.1**	32.9	11.4	1.5	21.5
Catering	**–**	**–**	**–**	**1.6**	0.4	–	–	(50.7)
Healthcare	**–**	**–**	**–**	**(2.1)**	–	–	–	(0.5)
Pest Control	**–**	**–**	**–**	**(0.7)**	–	–	–	0.7
Social Housing	**–**	**–**	**–**	**(2.0)**	–	–	–	1.5
Discontinued operations	**–**	**–**	**–**	**(3.2)**	0.4	–	–	(49.0)
Total	**34.4**	**17.5**	**1.7**	**51.9**	33.3	11.4	1.5	(27.5)

Note:

1. Other items are as described in Note 4.

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.

			2021			
			Sector[1,2]	Contract duration for timing of revenue recognition[2]		
	Government £m	Non-government £m	Total £m	Less than 2 years £m	More than 2 years £m	Total £m
Business Services	**323.2**	**761.8**	**1,085.0**	**230.1**	**854.9**	**1,085.0**
Technical Services	**272.9**	**547.8**	**820.7**	**94.5**	**726.2**	**820.7**
Specialist Services	**147.3**	**86.3**	**233.6**	**28.3**	**205.3**	**233.6**
Care & Custody	***108.8***	–	***108.8***	–	***108.8***	***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***
Interserve	**373.3**	**76.7**	**450.0**	**12.4**	**437.6**	**450.0**
Continuing operations and Total	**1,116.7**	**1,472.6**	**2,589.3**	**365.3**	**2,224.0**	**2,589.3**

Notes:

1. Sector is defined by the end customer on any contract e.g. if the Group is a subcontractor to a company repairing a government building, then the contract would be classified as government.
2. Revenue includes share of joint ventures and associates.

			2020			
			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	194.0	792.9	986.9	311.8	675.1	986.9
Technical Services	303.7	643.5	947.2	100.0	847.2	947.2
Specialist Services	151.4	88.2	239.6	22.1	217.5	239.6
Care & Custody	*110.2*	–	*110.2*	–	*110.2*	*110.2*
Landscapes	*12.0*	*35.8*	*47.8*	*12.9*	*34.9*	*47.8*
Waste	*29.2*	*52.4*	*81.6*	*9.2*	*72.4*	*81.6*
Continuing operations	649.1	1,524.6	2,173.7	433.9	1,739.8	2,173.7
Catering	3.4	57.1	60.5	8.2	52.3	60.5
Discontinued operations	3.4	57.1	60.5	8.2	52.3	60.5
Total	652.5	1,581.7	2,234.2	442.1	1,792.1	2,234.2

Note:

1. Sector is defined by the end customer on any contract e.g. if the Group is a subcontractor to a company repairing a government building, then the contract would be classified as government.

Transaction price allocated to the remaining performance obligations

The table below shows the forward order book for each segment, including share of joint ventures and associates, 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.

			2021			2020
	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	**772.1**	**861.0**	**1,633.1**	782.9	1,051.8	1,834.7
Technical Services	**448.9**	**1,435.0**	**1,883.9**	380.3	1,533.9	1,914.2
Specialist Services	**107.7**	**420.4**	**528.1**	119.9	425.6	545.5
Care & Custody	***99.7***	***345.2***	***444.9***	*89.9*	*391.2*	*481.1*
Landscapes	***0.2***	***61.9***	***62.1***	*22.3*	*18.1*	*40.4*
Waste	***7.8***	***13.3***	***21.1***	*7.7*	*16.3*	*24.0*
Interserve	**760.9**	**2,396.1**	**3,157.0**	–	–	–
Continuing operations and Total	**2,089.6**	**5,112.5**	**7,202.1**	1,283.1	3,011.3	4,294.4

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:

Continuing operations	Restructure costs £m	Acquisition & disposal related costs £m	Gain on disposal £m	Other exceptional items £m	2021 Total £m
Other items within administrative expenses before tax	**(25.2)**	**(33.1)**	**–**	**3.2**	**(55.1)**
Tax	**4.8**	**3.3**	**–**	**(0.6)**	**7.5**
Other items after tax	**(20.4)**	**(29.8)**	**–**	**2.6**	**(47.6)**
Discontinued operations					
Other items before tax	**–**	**2.0**	**1.2**	**–**	**3.2**
Tax	**–**	**(0.4)**	**–**	**–**	**(0.4)**
Other items after tax	**–**	**1.6**	**1.2**	**–**	**2.8**
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)**

Continuing operations	Restructure costs £m	Acquisition & disposal related costs £m	Gain on disposal £m	Other exceptional items £m	2020 Total £m
Other items within administrative expenses before tax	(15.7)	(3.5)	–	(2.3)	(21.5)
Tax	2.7	1.0	–	0.3	4.0
Other items after tax	(13.0)	(2.5)	–	(2.0)	(17.5)
Discontinued operations					
Other items before tax	–	(1.3)	50.3	–	49.0
Tax	–	0.3	(1.6)	–	(1.3)
Other items after tax	–	(1.0)	48.7	–	47.7
Total Group					
Other items before tax	(15.7)	(4.8)	50.3	(2.3)	27.5
Tax	2.7	1.3	(1.6)	0.3	2.7
Other items after tax	(13.0)	(3.5)	48.7	(2.0)	30.2

Restructure costs

The Group is undertaking a major transformation programme involving the restructuring of operations to reposition the business for its next phase of growth, which includes Project Helix, Project Forte and Property. The costs are analysed below:

	2021 Continuing operations £m	2021 Discontinued operations £m	2021 Total £m	2020 Continuing operations £m	2020 Discontinued operations £m	2020 Total £m
Group transformation programme:						
Project Helix[1]	–	–	–	(3.6)	–	(3.6)
Project Forte[2]	**(10.6)**	–	**(10.6)**	(10.6)	–	(10.6)
Property[3]	**(11.3)**	–	**(11.3)**	(1.5)	–	(1.5)
Other transformation projects[4]	**(3.3)**	–	**(3.3)**	–	–	–
Restructure costs	**(25.2)**	–	**(25.2)**	(15.7)	–	(15.7)
Tax	**4.8**	–	**4.8**	2.7	–	2.7
Restructure costs net of taxation	**(20.4)**	–	**(20.4)**	(13.0)	–	(13.0)

Notes:

1. Project Helix was a three-year programme launched in 2017, focused on establishing a shared service centre model for key back office functions, including offshoring the majority of Finance and IT, and centralising HR following the standardisation of systems. The project was completed by March 2020.
2. Project Forte was launched in 2019, primarily focused on re-engineering the Technical Services business to modernise the technology infrastructure. It will improve both the customer experience and the efficiency of the internal operations. Project Forte will also drive further Group-wide organisational consolidation, automation of processes and further offshoring of back office activities. The project is expected to complete by March 2022.
3. Programme to restructure the property portfolio to align with the new operating model, which involves the vacation of office space. This has been separated from other transformation projects for the year ended 31 March 2021.
4. Other transformation projects focus on aligning the remaining areas of the business to the new operating model, including redundancy costs related to major restructuring as a result of COVID-19, and simplifying the management structure.

The costs associated with the Group transformation programme include redundancy costs of £3.2m (2020: £4.4m), right-of-use asset impairments of £6.3m (2020: £0.8m), other onerous lease costs of £2.6m (2020: £0.7m), intangible impairments of £3.4m (2020: £nil), property, plant and equipment impairments of £1.9m (2020: £nil), consultancy costs of £3.6m (2020: £1.8m) and fixed-term staff costs of £4.2m (2020: £8.0m) to manage and implement the changes.

Acquisition and disposal related costs

	2021 Continuing operations £m	2021 Discontinued operations £m	2021 Total £m	2020 Continuing operations £m	2020 Discontinued operations £m	2020 Total £m
Interserve acquisition related costs[1]	**(14.8)**	–	**(14.8)**	–	–	–
Interserve integration costs[2]	**(8.8)**	–	**(8.8)**	–	–	–
Interserve amortisation of acquisition related assets[3]	**(6.7)**	–	**(6.7)**	–	–	–
Total Interserve acquisition costs	**(30.3)**	–	**(30.3)**	–	–	–
Other amortisation of acquisition related intangible assets	**(2.2)**	–	**(2.2)**	(2.3)	–	(2.3)
Other transaction related projects	**(0.6)**	–	**(0.6)**	(1.6)	–	(1.6)
Other acquisition transaction costs	–	–	–	(0.1)	–	(0.1)
Other integration costs	–	–	–	(0.6)	–	(0.6)
Restricted shares issued	–	–	–	(0.8)	–	(0.8)
VSG liability release	–	–	–	1.9	–	1.9
Other disposal income/(costs)[4]	–	**2.0**	**2.0**	–	(1.3)	(1.3)
Acquisition and disposal costs	**(33.1)**	**2.0**	**(31.1)**	(3.5)	(1.3)	(4.8)
Tax	**3.3**	**(0.4)**	**2.9**	1.0	0.3	1.3
Acquisition and disposal costs net of taxation	**(29.8)**	**1.6**	**(28.2)**	(2.5)	(1.0)	(3.5)

Notes:

1. Comprises of professional fees of £13.6m, fixed term staff costs of £0.2m and retention costs of £1.0m.
2. Comprises of staff related integration costs of £5.3m, redundancy costs of £1.7m, right-of-use asset impairments of £1.1m and other integration costs of £0.7m.
3. Includes £5.5m amortisation on customer contracts and relationships acquired with Interserve and £1.2m related to the Group's share of 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.
4. Other disposal income in the year ended 31 March 2021 was related to the release of provisions for rectification works on property maintenance contracts associated with the disposal of the Social Housing business. See Note 5.

Gain on disposal

A net gain on disposal of businesses of £1.2m (2020: £50.3m) 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:

	2021			2020		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Regulatory investigation[1]	**(0.1)**	**–**	**(0.1)**	(0.7)	–	(0.7)
IFRS 16/15/9 adoption and implementation projects	**–**	**–**	**–**	(0.7)	–	(0.7)
Net settlement of legal dispute[2]	**3.7**	**–**	**3.7**	(0.9)	–	(0.9)
Cost of equalising Guaranteed Minimum Pensions	**(0.2)**	**–**	**(0.2)**	–	–	–
Other exceptional items	**(0.2)**	**–**	**(0.2)**	–	–	–
Other exceptional items	**3.2**	**–**	**3.2**	(2.3)	–	(2.3)
Tax	**(0.6)**	**–**	**(0.6)**	0.3	–	0.3
Other exceptional items net of taxation	**2.6**	**–**	**2.6**	(2.0)	–	(2.0)

Notes:

1. Incurred £0.1m (2020: £0.7m) legal and professional costs in respect of the FRC and FCA investigations, and the Company's own investigations into the same matters. These investigations have now been closed.
2. Legal costs of £0.3m (2020: £0.9m) have been incurred and a settlement of £4.0m (2020: £nil) has been received, in relation to a legal dispute.

5. Discontinued operations and disposal of subsidiaries

There have been no disposals of businesses or discontinued operations meeting the criteria of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in the year ended 31 March 2021.

The results relating to operations which were discontinued in prior periods are detailed below.

Income statement of discontinued operations

					2021	2020
	Catering £m	Pest Control £m	Social housing	Healthcare £m	Total £m	Total £m
Total consideration[1]	**(3.3)**	**0.7**	**–**	**–**	**(2.6)**	76.0
Net assets disposed	**–**	**–**	**–**	**–**	**–**	(20.4)
Release of customer liability	**1.7**	**–**	**–**	**–**	**1.7**	(2.6)
Release of indemnity provision	**–**	**–**	**–**	**2.1**	**2.1**	0.5
Transaction costs	**–**	**–**	**–**	**–**	**–**	(3.2)
Total (loss)/gain on disposal before tax	**(1.6)**	**0.7**	**–**	**2.1**	**1.2**	50.3
Tax	**–**	**–**	**–**	**–**	**–**	(1.6)
Net (loss)/gain on disposal of discontinued operations as reported in other items (see Note 4)	**(1.6)**	**0.7**	**–**	**2.1**	**1.2**	48.7
Profit and total comprehensive income for the year before tax	**–**	**–**	**2.0**	**–**	**2.0**	1.3
Tax	**–**	**–**	**(0.4)**	**–**	**(0.4)**	–
Profit and total comprehensive income for the year after tax	**–**	**–**	**1.6**	**–**	**1.6**	1.3
Total (loss)/profit for the year	**(1.6)**	**0.7**	**1.6**	**2.1**	**2.8**	50.0

Note:

1. In the year ended 31 March 2021, contingent consideration of £3.3m in relation to the disposal of the Catering business has been remeasured to £nil and upon agreement of completion accounts with the purchaser of Pest Control the settlement liability of £0.7m has been de-recognised.

The profit and total comprehensive income for the year ended 31 March 2021 comprises other items of £2.0m before tax and a £0.4m tax charge in relation to release of provision for rectification works associated with certain property maintenance contracts of the Social Housing business.

The income statement of discontinued operations for the year ended 31 March 2020 is presented below.

	2020												
	Catering			Pest Control			Social Housing			Healthcare	Total discontinued operations		
	Before other items £m	Other items[1] £m	**Total £m**	Before other items £m	Other items[1] £m	**Total £m**	Before other items £m	Other items[1] £m	**Total £m**	Other items[1] £m	Before other items £m	Other items[1] £m	**Total £m**
Revenue	60.5	–	60.5	–	–	–	–	–	–	–	60.5	–	60.5
Cost of sales	(54.7)	–	(54.7)	–	–	–	–	–	–	–	(54.7)	–	(54.7)
Gross profit	5.8	–	5.8	–	–	–	–	–	–	–	5.8	–	5.8
Administrative expenses	(3.0)	(0.3)	(3.3)	–	(0.3)	(0.3)	–	(0.7)	(0.7)	–	(3.0)	(1.3)	(4.3)
Operating profit/(loss)	2.8	(0.3)	2.5	–	(0.3)	(0.3)	–	(0.7)	(0.7)	–	2.8	(1.3)	1.5
Net finance costs	(0.2)	–	(0.2)	–	–	–	–	–	–	–	(0.2)	–	(0.2)
Profit/(loss) before tax	2.6	(0.3)	2.3	–	(0.3)	(0.3)	–	(0.7)	(0.7)	–	2.6	(1.3)	1.3
Tax	(0.3)	–	(0.3)	–	–	–	–	0.3	0.3	–	(0.3)	0.3	–
Profit and total comprehensive income for the year	2.3	(0.3)	2.0	–	(0.3)	(0.3)	–	(0.4)	(0.4)	–	2.3	(1.0)	1.3

Note:
1. Other items are as described in Note 4.

Cash flows from discontinued operations

	2021 £m	2020 £m
Net cash used in operating activities	–	(3.3)
Net cash generated from investing activities	–	65.0
Increase in cash and cash equivalents	–	61.7

6. Employees

The average number of people employed, on a full time equivalent (FTE) basis, during the financial year was:

Number of people	**2021**	2020
Technical Services	**8,548**	9,266
Business Services	**34,668**	35,211
Specialist Services	**3,041**	2,995
Care & Custody	***1,999***	*1,968*
Landscapes	***795***	*772*
Waste	***247***	*255*
Interserve[1]	**6,589**	–
Corporate centre	**97**	95
Continuing operations	**52,943**	47,567
Catering	**–**	1,086
Discontinued operations	**–**	1,086
Total Group	**52,943**	48,653

Note:
1. Full year average number of FTE people employed from the date of acquisition.

The total employment costs, including Directors, were:

Aggregate remuneration comprised:	2021 £m	2020 £m
Wages and salaries[1]	**1,323.7**	1,147.6
Social security costs	**108.1**	92.4
Other pension costs	**31.5**	25.0
Share-based payments	**9.5**	2.9
Share-based payments acquisition related costs	**–**	0.8
Total	**1,472.8**	1,268.7

Note:

1. For the year ended 31 March 2021, wages and salaries have been reduced by a net amount of £49.7m (2020: £nil), which represents UK Government grants received under the Coronavirus Job Retention Scheme of £53.8m (2020: £nil), less repayments back to the UK Government of £4.1m (2020: £nil) relating to furloughed colleagues employed directly at Mitie's own operations.

Executive and Non-Executive Directors' aggregate emoluments are shown below:

	2021 £m	2020 £m
Short term benefits	**1.7**	1.8
Pension and other employment benefits	**0.2**	0.3
Share-based payments	**2.3**	1.1
Total	**4.2**	3.2

7. Tax

Continuing and discontinued operations	2021 £m	2020 £m
Current tax	**1.2**	5.8
Deferred tax (Note 16)	**0.2**	3.7
Tax charge for the year	**1.4**	9.5
Continuing operations	**1.0**	7.9
Discontinued operations	**0.4**	1.6
Tax charge for the year	**1.4**	9.5

Corporation tax is calculated at 19% (2020: 19%) of the estimated taxable profit for the year. A reconciliation of the tax charge to the elements of profit before tax per the condensed consolidated income statement elements is as follows:

	2021			2020		
Continuing and discontinued operations	Before other items £m	Other items[1] £m	Total £m	Before other items £m	Other items[1] £m	Total £m
Profit/(loss) before tax	**46.0**	**(51.9)**	**(5.9)**	72.5	27.5	100.0
Tax at UK rate of 19% (2020: 19%)	**8.7**	**(9.9)**	**(1.2)**	13.8	5.2	19.0
Reconciling tax charges for:						
Non-tax deductible charges	**0.9**	**2.6**	**3.5**	0.5	0.3	0.8
Share-based payments	**(0.2)**	**0.2**	**–**	0.7	0.3	1.0
Gain on disposal of businesses	**–**	**(0.2)**	**(0.2)**	–	(8.6)	(8.6)
Impact of equity accounted investments	**(0.5)**	**0.2**	**(0.3)**	–	–	–
Losses not recognised	**0.2**	**–**	**0.2**	(0.1)	–	(0.1)
Overseas tax rates	**(0.2)**	**–**	**(0.2)**	–	0.6	0.6
Impact of change in statutory tax rates	**–**	**–**	**–**	(2.3)	–	(2.3)
Prior year adjustments	**(0.4)**	**–**	**(0.4)**	(0.4)	(0.5)	(0.9)
Tax charge/(credit) for the year	**8.5**	**(7.1)**	**1.4**	12.2	(2.7)	9.5
Effective tax rate for the year	**18.5%**	**13.7%**	**(23.7%)**	16.8%	(9.8%)	9.5%

Note:

1. Other items are as described in Note 4.

In addition to the amounts charged to the condensed consolidated income statement, tax relating to retirement benefit liability remeasurements amounting to a £1.0m credit (2020: £1.3m charge) has been taken directly to the condensed statement of comprehensive income together with a £0.1m credit relating to hedged items (2020: £0.7m charge).

It has been proposed that the UK corporation tax rate will increase from 19% to 25% from 1 April 2023. As this change was not substantively enacted at the balance sheet date, it has not been incorporated into the amounts contained in this report. If the change had been substantively enacted at the balance sheet date, deferred tax assets and liabilities would have increased by £5.2m and £6.7m respectively. The change will increase the effective tax rate of the Group in future.

8. Dividends

	2021 Pence per share	2021 £m	2020 Pence per share	2020 £m
Amounts recognised as distributions in the year:				
Final dividend for the prior year	–	–	2.67	9.6
Interim dividend for the current year	–	–	1.33	4.8
	–	–	4.00	14.4
Proposed final dividend for the year ended 31 March	–	–	–	–

Dividends per share recognised as distributions in the year ended 31 March 2020 stated above are as declared and paid to shareholders on the shares in issue when the dividends were paid. Restating these amounts to take account of the bonus element of the 2020 rights issue using the adjustment factor described in Note 22, would result in a final dividend for the year ended 31 March 2019 of 1.38p per share and an interim dividend for the year ended 31 March 2020 of 0.69p per share.

9. Earnings per share

The calculation of the basic and diluted EPS is based on the following data:

From continuing operations	2021 £m	2020 £m
Net profit before other items attributable to equity holders of the parent	37.5	58.0
Other items net of tax	(47.6)	(17.5)
Net (loss)/profit attributable to equity holders of the parent	(10.1)	40.5

From discontinued operations	2021 £m	2020 £m
Net profit before other items attributable to equity holders of the parent	–	2.3
Other items net of tax	2.8	47.7
Net profit attributable to equity holders of the parent	2.8	50.0

Total Group	2021 £m	2020 £m
Net profit before other items attributable to equity holders of the parent	37.5	60.3
Other items net of tax	(44.8)	30.2
Net (loss)/profit attributable to equity holders of the parent	(7.3)	90.5

Number of shares	2021 million	2020[1] million
Weighted average number of ordinary shares for the purpose of basic EPS	1,082.5	699.6
Effect of dilutive potential ordinary shares[2]	–	17.2
Weighted average number of ordinary shares for the purpose of diluted EPS[3]	1,082.5	716.8

Notes:

1. Restated for the bonus element of the 2020 rights issue. See Note 22.
2. The dilutive potential ordinary shares relate to instruments that could potentially dilute basic earnings per share in the future, such as share share-based payments. At 31 March 2021, 70.2 million (2020: nil) 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 in the current year from continuing operations, hence the diluted (loss)/profit per share needs to be the same amount as the basic (loss)/profit per share.
3. The weighted average number of ordinary shares in issue during the year excludes those accounted for in the own shares reserve.

	2021 pence per share	2020[1] pence per share
From continuing operations:		
Basic earnings before other items[2]	**3.5**	8.3
Basic (loss)/earnings	**(0.9)**	5.8
Diluted earnings before other items[2]	**3.5**	8.1
Diluted (loss)/earnings	**(0.9)**	5.6
From discontinued operations:		
Basic earnings before other items[2]	**–**	0.3
Basic earnings	**0.3**	7.1
Diluted earnings before other items[2]	**–**	0.3
Diluted earnings	**0.3**	7.0
Total Group:		
Basic earnings before other items[2]	**3.5**	8.6
Basic (loss)/earnings	**(0.6)**	12.9
Diluted earnings before other items[2]	**3.5**	8.4
Diluted (loss)/earnings	**(0.6)**	12.6

Notes:

1. Restated for the bonus element of the 2020 rights issue. See Note 22.
2. Other items are as described in Note 4.

10. Goodwill

	£m
Cost	
At 1 April 2019	326.3
Arising on business combinations	0.8
Disposal of businesses	(15.7)
At 31 March 2020	311.4
Arising on business combinations	3.3
At 31 March 2021	**314.7**
Accumulated impairment losses	
At 1 April 2019	32.5
At 31 March 2020	32.5
At 31 March 2021	**32.5**
Net book value	
At 31 March 2021	**282.2**
At 31 March 2020	278.9

Acquisition of Interserve

The goodwill arising on the Interserve acquisition was £3.3m. See Note 20. The additional CGUs which are now part of the Group comprise; Central Government & Defence (CG&D), Communities and Business and Industry (B&I).

Goodwill impairment testing

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (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 2021 £m**	Goodwill 2020 £m
Technical Services	**12.0%**	**146.6**	146.6
Business Services	**12.0%**	**126.5**	126.5
Landscapes	**12.0%**	**5.8**	5.8
CG&D	**15.8%**	**1.1**	–
Communities	**15.4%**	**1.4**	–
B&I	**15.4%**	**0.8**	–
Total		**282.2**	278.9

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 2022 and the Group's medium-term strategic plan to 31 March 2026, adjusted for COVID-19 impacts. Forecast revenue and direct costs are based on past performance and expectations of future changes in the market, operating model and cost base.

Growth rates and terminal values

Revenue growth rates applied to the value-in-use calculations of each CGU reflect management's strategy and a terminal value using a long-term growth assumption of 2.0% (2020: 1.7%) based on forecast inflation.

Discount rates

The pre-tax discount rates used to assess the forecast cash flows from CGUs are derived from the Company's post-tax weighted average cost of capital, which was 9.1% at 31 March 2021 (2020: 9.2%). These rates are reviewed annually with external advisers 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. Given the uncertainties related to COVID-19 in terms of the duration and depth of impact, sensitivity analysis has also been performed and management has concluded that even in the downside scenario, no impairments would be required.

11. Other intangible assets

	Acquisition related				
	Customer contracts and relationships £m	Other £m	**Total acquisition related £m**	Software and development expenditure £m	**Total £m**
Cost					
At 1 April 2019	103.3	10.9	**114.2**	80.2	**194.4**
Additions	–	–	**–**	11.2	**11.2**
Arising on business combinations	0.5	–	**0.5**	–	**0.5**
Disposals	–	–	**–**	(21.1)	**(21.1)**
Disposal of businesses	(1.9)	–	**(1.9)**	–	**(1.9)**
At 31 March 2020	101.9	10.9	**112.8**	70.3	**183.1**
Additions	–	–	**–**	15.0	**15.0**
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**	70.7	**406.1**
Amortisation					
At 1 April 2019	86.8	10.3	**97.1**	46.6	**143.7**
Charge for the year	2.1	0.2	**2.3**	9.1	**11.4**
Disposals	–	–	**–**	(20.7)	**(20.7)**
Disposal of businesses	(1.9)	–	**(1.9)**	–	**(1.9)**
At 31 March 2020	87.0	10.5	**97.5**	35.0	**132.5**
Charge for the year	7.6	0.1	**7.7**	9.8	**17.5**
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**	34.8	**139.9**
Net book value					
At 31 March 2021	226.6	3.7	**230.3**	35.9	**266.2**
At 31 March 2020	14.9	0.4	**15.3**	35.3	**50.6**

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 thirteen 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. Software and development expenditure is amortised over its useful life of between four and ten years, once brought into use.

Following a review of the carrying amount of intangible assets, an impairment of £4.4m has been recorded (2020: £nil), of which £3.4m (2020: £nil) is included within Other items. See Note 4.

12. Interest in joint ventures and associates

As disclosed in Note 20, on 30 November 2020 the Group acquired Interserve, which included interests in joint ventures and associates. From completion of the acquisition, Landmarc Support Services Limited (Landmarc UK) and Sussex Estates and Facilities LLP (Sussex) were equity accounted entities that were material to the Group. All equity accounted entities provide facilities management services.

Interest in joint ventures and associates

	Ownership %	Nature of relationship	2021 £m
Landmarc UK	51	Joint venture	**9.9**
Sussex	35	Associate	**0.5**
Other		Joint ventures	**0.6**
At 31 March			**11.0**

	Landmarc UK[1] £m	Sussex[1] £m	Other[1] £m	Group share of joint ventures and associates £m
Arising on business combinations	9.9	0.3	0.5	**10.7**
Share of profit before Other items	1.6	0.2	0.1	**1.9**
Share of profit - Other items[2]	(1.2)	–	–	**(1.2)**
Share of other comprehensive income	0.4	–	–	**0.4**
Dividends	(0.8)	–	–	**(0.8)**
At 31 March 2021	9.9	0.5	0.6	**11.0**

Note:

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.

Summarised income statement (100%)

2021	Landmarc UK £m	Sussex £m	Other £m	Total £m
Revenue	50.6	7.3	2.8	**60.7**
Share of revenue of joint ventures and associates	*25.8*	*2.6*	*1.4*	***29.8***
Depreciation and amortisation[1]	(0.3)	–	–	**(0.3)**
Operating profit	3.8	0.7	0.1	**4.6**
Tax	(0.7)	–	–	**(0.7)**
Profit for the period	3.1	0.7	0.1	**3.9**
Other comprehensive income	0.9	–	–	**0.9**
Total comprehensive income (100%)	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 £1.2m (2020: £nil) included within Other items. See Note 4.

Summarised balance sheet (100%)

2021	Landmarc UK £m	Sussex £m	Other £m	Total £m
Non-current assets[1]	12.5	–	–	**12.5**
Current assets	29.0	6.3	7.5	**42.8**
Current liabilities	(22.1)	(4.8)	(6.3)	**(33.2)**
Net assets (100%)	19.4	1.5	1.2	**22.1**
The above includes the following:				
Cash and cash equivalents (100%)	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 these customer relationships was £3.7m on 30 November 2020, which reduced to £2.5m at 31 March 2021 following an amortisation charge of £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, has 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. This is not expected to result in any material financial loss. 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.

13. Trade and other receivables

	2021 £m	Restated[1] 2020 £m
Trade receivables	**362.4**	219.2
Accrued income	**208.7**	132.2
Prepayments	**27.0**	30.0
Other receivables[2]	**93.8**	36.5
Total	**691.9**	417.9
Included in current assets	**683.6**	414.6
Included in non-current assets[2]	**8.3**	3.3
Total	**691.9**	417.9

Notes:

1. The Group has changed its accounting policy in relation to the recognition of BACS payments (see Note 1). As a result, the comparatives as at 31 March 2020 have been restated with a reclassification between trade and other receivables, trade and other payables and cash and cash equivalents as set out in Note 1. There has been no change in net assets.
2. At 31 March 2021 other receivables included the £57.6m (2020: £nil) provisional value for the adjustment to consideration which represents management's best estimate of the amount expected to be recovered by the Group through the completion accounts mechanism on the Interserve acquisition. The outcome of the completion accounts process is inherently uncertain, given that this is subject to a commercial negotiation, and potentially expert determination, and the final amount agreed could therefore be materially different from the estimate. See Note 20.

Trade receivables at 31 March 2021 represent 30 days credit on sales (2020 restated: 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 £70.7m as at 31 March 2020 to £51.7m as at 31 March 2021.

Management considers that the carrying amount of trade and other receivables approximates their fair value.

14. Trade and other payables

	2021 £m	Restated[1] 2020 £m
Trade payables	**130.2**	180.6
Other taxes and social security	**122.6**	113.0
Other payables	**32.7**	17.0
Accruals	**416.5**	203.1
Total	**702.0**	513.7
Included in current liabilities	**701.5**	513.4
Included in non-current liabilities	**0.5**	0.3
Total	**702.0**	513.7

Note:

1. The Group has changed its accounting policy in relation to the recognition of BACS payments (see Note 1). As a result, the comparatives as at 31 March 2020 have been restated with a reclassification between trade and other receivables, trade and other payables and cash and cash equivalents as set out in Note 1. There has been no change in net assets.

Trade creditors at 31 March 2021 represent 26 days credit on trade purchases (2020 restated: 59 days).

In the year ended 31 March 2021, the Group discontinued its supply chain finance arrangements. At 31 March 2020 included within the trade creditors balance was £16.0m relating to payments due to UK suppliers which made use of bank provided supply chain finance arrangements.

Management considers that the carrying amount of trade and other payables approximates their fair value.

15. Provisions

	Legal costs £m	Acquisition and disposal of businesses £m	Restructuring £m	Insurance reserve £m	Contract specific costs £m	Pension £m	Dilapidations £m	**Total £m**
At 1 April 2019	0.3	5.3	–	15.0	12.7	20.0	5.2	**58.5**
Amounts recognised in the income statement	–	(0.5)	–	1.5	(0.4)	–	(0.2)	**0.4**
Unwinding of discounts	–	–	–	–	–	–	0.1	**0.1**
Utilised in the year	(0.3)	(0.8)	–	(2.7)	(1.6)	–	(0.4)	**(5.8)**
At 31 March 2020	–	4.0	–	13.8	10.7	20.0	4.7	**53.2**
Arising on business combinations	2.5	–	–	8.5	50.2	3.8	1.7	**66.7**
Charged to the income statement	–	–	2.6	10.0	–	–	–	**12.6**
Released to the income statement	–	(2.1)	–		(1.7)	–	–	**(3.8)**
Unwinding of discounts	–	–	–	–	–	–	0.1	**0.1**
Utilised in the year	–	(1.9)	(0.4)	(4.4)	(5.1)	–	(0.6)	**(12.4)**
At 31 March 2021	2.5	–	2.2	27.9	54.1	23.8	5.9	**116.4**
Included in current liabilities	2.5	–	0.6	7.1	13.6	23.8	0.7	**48.3**
Included in non-current liabilities	–	–	1.6	20.8	40.5	–	5.2	**68.1**
Total	2.5	–	2.2	27.9	54.1	23.8	5.9	**116.4**

The provisions balance includes the following items:

The legal costs provisions relate to external legal costs in relation to parental company guarantees required. The amount is expected to be fully utilised in the year ending 31 March 2022.

The acquisition and disposal of businesses provisions were in respect of indemnities provided following the disposal of the Healthcare and Social Housing businesses. In the year ended 31 March 2021 the Group utilised £1.9m in respect of the Social Housing indemnity provision and released £2.1m to the income statement with respect to the Healthcare indemnity provision.

The restructuring provision related to costs of organisational change associated with the Group's property transformation programme and is expected to be fully utilised over the next four years.

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 that are expected but have not yet been reported.

Included within contract specific costs provision of £54.1m at 31 March 2021 are onerous contract provisions of £12.2m (2020: £nil) and contract specific provisions of £41.9m (2020: £10.7m).

Onerous contract provisions are made where the forecast costs of completing a contract exceed the forecast income generation over the life of the project. As part of the identification and measurement of assets and liabilities for the acquisition of Interserve, the Group recognised onerous contract provisions of £13.0m. The main contracts to which these provisions relate to are in relation to 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, any changes to key assumptions made when estimating their future losses might have an impact on the Group's results. See Note 2 for discussion on key assumptions made to measure the provision. The Group utilised £0.8m 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' contractual terms. The Group recognised £37.2m of contract specific provisions as a result of the Interserve acquisition. £14.6m of this balance related to a significant liability risk on a certain contract, which is subject to a dispute, £6.6m related to a commercial dispute settlement for a contract, and the remaining £16.0m relates to other potential commercial claims and rectification work for other contracts. The Group utilised £1.1m of these provisions and charged £0.3m to the income statement during the year with the remaining provision expected to be utilised between one to seven years.

The contract specific provisions also include £5.4m at 31 March 2021 for the estimated costs of rectification works associated with certain property maintenance contracts of the discontinued Social Housing business, after the release of £2.0m to the income statement recorded in Other items as part of the acquisition and disposal related costs (see Note 4) and utilisation of £3.2m during the year. This provision has been recorded as a current provision, however, timing of outflows is dependent on when claims are received by the Group and may occur over a longer period than one year.

The pension provision balance at 31 March 2021 primarily relates to the Section 75 employer debt liabilities of Robert Prettie & Co Limited and Mitie FM Limited (formerly Interserve (Facilities Management) Limited as a result of their participation in the Plumbing Scheme of £21.7m. The provision 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 21.

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.

16. 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 £m**
At 1 April 2019	17.3	5.0	14.2	(2.9)	0.8	1.4	**35.8**
Arising on business combinations	–	(0.1)	–	–	–	–	**(0.1)**
Disposal of businesses	–	(0.3)	–	–	–	–	**(0.3)**
(Charge)/credit to income	(5.6)	1.1	(0.2)	–	0.3	0.7	**(3.7)**
Charge to equity and other comprehensive income	–	–	(1.3)	–	(0.7)	–	**(2.0)**
At 31 March 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	(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**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2021 £m	2020 £m
Deferred tax assets[1]	**32.0**	32.6
Deferred tax liabilities[1]	**(12.2)**	(2.9)
Net deferred tax asset	**19.8**	29.7

Note:

1. Deferred tax liabilities related to the value attributed to the acquired intangible assets of £41.5m (2020: £nil) have been partially offset by deferred tax assets in relation to unutilised income tax losses, accelerated capital allowances, retirement benefit liabilities and other short-term timing differences .

The Group has unutilised income tax losses of £243.8m (2020: £68.4m) that are available for offset against future profits. A deferred tax asset has been recognised in respect of £156.3m (2020: £61.5m) of these losses to the extent that it is probable that taxable profits will be generated in the future and be available for utilisation. Deferred tax has been calculated using tax rates that were substantively enacted at the balance sheet date. As mentioned in Note 7 the proposed increase in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023 had not been substantively enacted at the balance sheet date and therefore has not been incorporated into the amounts contained in this report. If the change had been substantively enacted at the balance sheet date, deferred tax assets and liabilities would have increased by £5.2m and £6.7m respectively.

17. Cash and cash equivalents

	2021 £m	Restated[1] 2020 £m
Cash and cash equivalents	**196.2**	139.5

Note:

1. The Group has changed its accounting policy in relation to the recognition of BACS payments (see Note 1). As a result, the comparatives as at 31 March 2020 have been restated with a reclassification between trade and other receivables, trade and other payables and cash and cash equivalents as set out in Note 1. There has been no change in net assets.

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 2021, included within cash and cash equivalents is £18.7m (2020: £nil) 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.

The carrying amount of the assets approximates their fair value.

18. Financing liabilities

	2021 £m	2020 £m
Bank loans – under committed facilities	**6.6**	49.0
Private placement notes[1]	**165.4**	177.9
Lease liabilities	**106.8**	93.8
Total	**278.8**	320.7
Included in current liabilities	**28.7**	24.3
Included in non-current liabilities[1]	**250.1**	296.4
Total	**278.8**	320.7

Note:

1. Including £0.1m (2020: £nil) of foreign exchange forward contracts included in non-current financing liabilities.

During the year ended 31 March 2021, the Group resized the bank facility from £275.0m to £250.0m and extended its maturity date from July 2021 to December 2022. The bank facility and the 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 2021 and hence all amounts are classified in line with repayment dates.

The Group adopted IFRS 16 'Leases' with effect from 1 April 2019. The Group's debt covenants are calculated on a Frozen GAAP basis and therefore exclude the impact of IFRS 16. If IFRS 16 had not been adopted, operating profit, depreciation, impairment, finance costs and lease liabilities would have been lower by £2.3m (2020: £1.2m), £25.9m (2020: £23.6m), £7.4m (2020: £0.8m), £3.3m (2020: £3.1m) and £106.4m (2020: £93.0m) respectively.

At 31 March 2021, the Group had available £241.4m (2020: £225.5m) 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 23.

The weighted average interest rates paid during the year were as follows:

	2021 %	2020 %
Bank loans	**1.3**	1.4
Private placement notes	**4.0**	4.1

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 to manage the Group's finance costs through a mix of fixed and variable rate debt, 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 2021 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 4.00%	n/a

19. Analysis of net debt

	2021 £m	Restated[1] 2020 £m
Cash and cash equivalents (Note 17)	**196.2**	139.5
Adjusted for: restricted cash	**(18.7)**	–
Bank loans (Note 18)	**(6.6)**	(49.0)
Private placement notes[2] (Note 18)	**(165.4)**	(177.9)
Derivative financial instruments hedging private placement notes	**14.6**	28.2
Net cash/(debt) before lease obligations	**20.1**	(59.2)
Lease liabilities	**(106.8)**	(93.8)
Net debt	**(86.7)**	(153.0)

Notes:

1. The Group has changed its accounting policy in relation to the recognition of BACS payments (see Note 1). As a result, the comparatives as at 31 March 2020 have been restated with a reclassification between trade and other receivables, trade and other payables and cash and cash equivalents as set out in Note 1. There has been no change in net assets.
2. Including £0.1m (2020: £nil) of forward foreign exchange contracts.

Net debt excludes amounts in respect of customer invoice discounting referred to in Note 13 and amounts in respect of supply chain financing referred to in Note 14. In the year ended 31 March 2021, the Group discontinued its supply chain finance arrangements.

20. Acquisitions

Current period acquisition

On 30 November 2020, the Group announced that it had completed the acquisition of the entire issued share capital of Interservefm (Holdings) Limited (Interserve). The consideration for the acquisition comprised the issuance of 248.4 million ordinary shares, 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 will be validated by a completion accounts process).

The total consideration reported of £142.0m includes a provisional value for the adjustment to consideration which relates to the completion accounts process for this transaction. This provisional value represents management's best estimate of the amount expected to be received through the completion accounts process. The adjustment has reduced the fair value of consideration and therefore goodwill by £57.6m with a corresponding receivable being recorded.

This has required management to make judgements around the outcome of the completion accounts process. The outcome of the completion accounts process is inherently uncertain, given that this is subject to a commercial negotiation, and potentially expert determination, and the final amount agreed could therefore be materially different from the estimate.

Interserve is a leading UK-focused facilities management business, providing services across multiple end-markets. The acquisition will allow 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.

Interserve contributed £450.0m of revenue (including share of joint ventures and associates) and £13.3m of operating profit before other items (£6.3m of operating profit after other items) to the Group's results during the year ended 31 March 2021. Based on estimates made of the full year impact of the acquisition of Interserve, had the acquisition taken place on 1 April 2020, Group revenue would have increased by approximately £803.6m (including share of joint ventures and associates) and operating profit before other items would have decreased by approximately £9.0m (operating profit after other items would have decreased by £38.4m), resulting in total Group revenue (including share of joint ventures and associates) of £3,392.9m, total Group operating profit before other items of £54.4m, and total Group operating loss after other items of £30.1m.

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:

	Book value £m	Fair value adjustments £m	Provisional fair value £m
Customer contracts and relationships[1]	–	219.3	**219.3**
Other intangible assets[2]	3.6	(0.2)	**3.4**
Property, plant and equipment[3]	4.6	0.5	**5.1**
Right-of-use assets[4]	16.9	(3.4)	**13.5**
Interest in joint ventures and associates[1]	7.0	3.7	**10.7**
Deferred tax assets[7]	19.6	(19.6)	**–**
Inventories	6.3	–	**6.3**
Trade and other receivables[5]	214.9	–	**214.9**
Cash and cash equivalents	40.4	–	**40.4**
Trade and other payables[6]	(223.6)	1.1	**(222.5)**
Deferred income	(59.4)	–	**(59.4)**
Financing liabilities[4]	(18.1)	3.9	**(14.2)**
Current tax liabilities	(1.6)	–	**(1.6)**
Provisions	(66.7)	–	**(66.7)**
Pension assets	0.3	–	**0.3**
Deferred tax liabilities[7]	–	(10.8)	**(10.8)**
Net identifiable (liabilities)/assets acquired	(55.8)	194.5	**138.7**
Goodwill			**3.3**
Total consideration			**142.0**
Cash consideration			**105.0**
Shares consideration[8]			**94.6**
Adjustment to consideration[9]			**(57.6)**
Total consideration			**142.0**

Notes:

1. A customer contracts and relationships asset of £219.3m was recognised on acquisition of the Interserve business (see Note 11). An additional customer contracts and relationships balance of £3.7m was recognised on acquisition of the Landmarc business which is reflected in the Group's interest in joint ventures and associates balance (see Note 12 for further details).
2. Software assets with a book value amounting to £3.6m were fair valued using a replacement cost methodology, resulting in a £0.2m fair value reduction from the book value.
3. The value of freehold property was assessed against market sources at the acquisition date, which resulted in a fair value uplift of £0.5m.
4. An adjustment of £3.4m has been recognised to bring the balance of right-of-use assets into alignment with the Group's accounting policies and treating acquired leases as new leases at the acquisition date, in accordance with IFRS 16. The net difference of £0.5m measured against the £3.9m adjustment to the lease obligation included within financing liabilities, reflects offsetting adjustments recorded to recognise lease incentives and restoration assets.
5. The trade receivables comprise gross contractual amounts due of £230.0m, of which £15.1m was expected to be uncollectable at the date of acquisition.
6. An adjustment of £1.1m to trade and other payables was recorded being a reclassification balance to move certain lease accruals into the correct classification.
7. A provisional deferred tax liability of £10.8m has been recognised, comprising of £41.5m deferred tax liability in relation to the customer contracts and relationships recognised as intangible assets, partially offset by deferred tax assets in relation to unutilised income tax losses, accelerated capital allowances, retirement benefit liabilities and other short-term timing differences . See Note 16.
8. Shares consideration comprise 248.4m ordinary shares issued, valued using the closing share price at 30 November 2020.
9. Adjustment to consideration represents management's best estimate of the amount expected to be recovered by the Group through the completion accounts mechanism. The outcome of the completion accounts process is inherently uncertain, given that this is subject to a commercial negotiation, and potentially expert determination, and the final amount agreed could therefore be materially different from the estimate.

No amount of goodwill is deductible for tax purposes. Goodwill does not qualify for separate recognition and largely represents the value attributed to the assembled workforce acquired.

Outflow of cash to acquire subsidiaries, net of cash acquired is as follows:

	31 March 2021 £m
Cash consideration	**105.0**
Less: cash acquired[1]	**(40.4)**
Net outflow of cash – investing activities	**64.6**

Note:

1. £19.4m of the cash acquired is subject to restrictions.

Costs associated with the acquisition of Interserve, which were not directly related to the issue of shares, amounted to £13.8m and are recognised as other items in the condensed consolidated income statement. See Note 4.

21. 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 Group has a defined benefit pension scheme called the Mitie Group plc Pension Scheme (Group scheme) where Mitie Treasury Management Limited is the principal employer. The Group participates in a number of other defined benefit schemes (Other 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.

As a result of the acquisition of Interserve, the number of defined contribution and defined benefit pension schemes operated by the Group has increased. Defined contribution schemes represent the primary pension provision for Interserve employees. The defined benefit schemes acquired comprise the Interserve Scheme Part C (Interserve scheme) and two smaller schemes; MacLellan Group 2000 Retirement Benefit Scheme and THK Insulation Limited Retirement Benefits Scheme. Due to the size of the smaller schemes, the Directors present the results and position of these schemes within this note combined with Other schemes. In addition, a fourth pension arrangement, Interserve Scheme Part B (Landmarc), is held within interest in joint ventures and associates.

The Group, through the acquired Interserve subsidiaries, has also increased the number of defined benefit schemes under Admitted Body status and number of participations in Multi-employer schemes. The Admitted Body schemes are largely sections of the Local Government Pension Scheme.

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 £11.9m (2020: £8.4m) and contributions to the auto-enrolment scheme of £17.8m (2020: £15.3m), which are included in the income statement charge. The Group expects to make contributions of a similar amount in the year ending 31 March 2022.

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 main Group scheme was closed with effect from October 2017.

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

The Group scheme is operated under the UK regulatory framework. Benefits are paid to members from the trust-administered fund, where the Trustee is responsible for ensuring that the scheme is sufficiently funded to meet current and future benefit payments. Plan assets are held in trust and are governed by pension legislation. If investment experience is worse than expected or the actuarial assessment of the scheme's liabilities increases, the Group's 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, for which the results are at an advanced stage of being finalised.

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.

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.

There are 182 active members within the Interserve scheme, with no deferred or pensioner members. Contributions are set based upon funding valuations carried out every three years. Following the Flexible Apportionment Arrangement, the first triennial valuation will be carried out at 31 December 2020. If there is a shortfall in scheme assets against the funding target, then the Group and Trustees will agree on deficit contributions to meet this deficit over a period. The estimated total of employer contributions to be paid during the year ended 31 March 2022 is £0.4m.

The Company 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.

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.

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 2022 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 (formerly Interserve (Facilities Management) Limited).

Provisions of £21.7m were held at 31 March 2021 for Section 75 employer debts in respect of the participation of Robert Prettie & Co. and Mitie FM Limited in the Plumbing Scheme. See Note 15.

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 23, this potential exposure has been disclosed as a contingent liability.

Further information in respect of the Group scheme and Other schemes

The table below sets out the details of the latest funding valuation of the Group scheme as at 31 March 2020.

Following the £23.0m payments made during the period from November 2017 to 31 March 2020, the Group paid additional contributions of £10.6m to the Group scheme during the year ended 31 March 2021.

The Group has negotiated, subject to final approval, a deficit recovery plan. A further £82.2m is payable in instalments by 31 March 2027, which, if the assumptions above are borne out in practice, should eliminate the deficit by 31 March 2027.

The Group made contributions to the Other schemes of £0.3m in the year (2020: £0.3m). The Group expects to make contributions of around £0.4m to the Other schemes in the year ending 31 March 2022.

Details of latest funding valuation

	Group scheme
Date of latest funding valuation	31 March 2020
Assets at valuation date	£190.0m
Funding liabilities at valuation date	£282.1m
Deficit at valuation date	£92.1m

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

The following table sets out details of the membership of the Group scheme at 31 March 2020:

	Group scheme
Active members – by number	29
Active members – by proportion of funding liability	1.4%
Total pensionable salary roll p.a.	£0.8m
Deferred members – by number	823
Deferred members – by proportion of funding liability	65.2%
Total deferred pensions p.a. (at date of leaving scheme)	£5.3m
Pensioner members – by number	757
Pensioner members – by proportion of funding liability	33.4%
Total pensions in payment p.a.	£3.6m

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.

A UK High Court judgment was issued on 26 October 2018 relating to Guaranteed Minimum Pensions (GMP). Although the ruling related to Lloyds Banking Group pension schemes, it is expected to create a precedent for other UK defined benefit pension schemes. The ruling requires the equalisation of member benefits earned between 1990 and 1997 to address gender inequality in instances where GMP benefits are currently unequal. Whilst there remains some uncertainty, the Group made a provision for the estimated financial impact of this ruling on the Group scheme, based on a comparison of the cumulative value of members' benefits with the benefits of a notional member of the opposite gender (method C2 under the terminology of the High Court Judgment).

On 20 November 2020, a further UK High Court judgement ruled that pension schemes will need to revisit individual transfer payments made since 17 May 1990 to check if an additional top-up is needed. A past service cost of £0.2m for additional obligations was recognised within Other items in the year ended 31 March 2021.

The assumptions for life expectancy have been set with reference to the actuarial tables used in the latest funding valuations, with a lower 'best-estimate' allowance for future improvements to mortality. 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 2021.

Principal accounting assumptions at balance sheet date

	Group scheme		Interserve scheme	Other schemes	
	2021 %	2020 %	**2021 %**	**2021 %**	2020 %
Key assumptions used for IAS 19 valuation:					
Discount rate	**2.10**	2.35	**2.10**	**2.10**	2.35
Expected rate of pensionable pay increases	**2.50**	2.50	**2.50**	**2.50**	2.50
Retail price inflation	**3.25**	2.50	**3.25**	**3.25**	2.50
Consumer price inflation	**2.50**	1.70	**2.50**	**2.50**	1.70
Future pension increases	**3.25**	3.20	**3.30**	**3.25**	3.20

	Group scheme		Interserve scheme
	2021 Years	2020 Years	2021 Years
Post retirement life expectancy:			
Current pensioners at 65 – male	**87.6**	88.0	86.3
Current pensioners at 65 – female	**88.9**	89.0	88.3
Future pensioners at 65 – male	**88.6**	89.0	87.3
Future pensioners at 65 – female	**90.1**	90.0	89.6

Life expectancy for the other schemes is that used by the relevant scheme actuary.

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%	(2.1%)	(6.7)
Increase in retail price inflation*	0.1%	1.6%	5.0
Increase in consumer price inflation (excluding pay)	0.1%	1.0%	3.0
Increase in life expectancy	1 year	4.5%	14.4

* Including other inflation-linked assumptions (consumer price inflation, pension increases and salary growth)

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

Some of the above changes in assumptions may have an impact on the value of the scheme's investment holdings. For example, the Group scheme holds a proportion of its assets in UK corporate bonds. A fall in the discount rate as a result of lower UK corporate bond yields would lead to an increase in the value of these assets, thus mitigating the increase in the defined benefit obligation to some extent. The duration, or average term to payment for the benefits due, weighted by liability, is around 20 years for the Group scheme and around 18 years for the Interserve scheme.

Amounts recognised in financial statements

Amounts recognised in the income statement are as follows:

	2021				2020		
	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
Current service cost	(0.2)	(0.3)	(0.5)	(1.0)	(0.3)	(0.3)	(0.6)
Total administration expense	(0.8)	–	–	(0.8)	(0.7)	–	(0.7)
Amounts recognised in operating profit	(1.0)	(0.3)	(0.5)	(1.8)	(1.0)	(0.3)	(1.3)
Past service cost (including curtailments)	(0.2)	–	–	(0.2)	–	–	–
Net interest cost	(1.0)	0.1	–	(0.9)	(1.4)	–	(1.4)
Amounts recognised in profit/(loss) before tax	(2.2)	(0.2)	(0.5)	(2.9)	(2.4)	(0.3)	(2.7)

The past service cost (including curtailments) of £0.2m (2020: £nil) was a cost in respect of equalising Guaranteed Minimum Pensions and is recognised within Other items. See Note 4.

Amounts recognised in the condensed consolidated statement of comprehensive income are as follows:

	2021				2020		
	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
Actuarial (losses)/gains arising due to changes in financial assumptions	(34.9)	0.6	(1.7)	(36.0)	17.4	1.1	18.5
Actuarial gains/(losses) arising from liability experience	9.4	(0.1)	0.3	9.6	(1.6)	1.5	(0.1)
Actuarial gains due to changes in demographic assumptions	4.0	–	0.4	4.4	–	0.2	0.2
Movement in asset ceiling	–	–	(1.0)	(1.0)	–	0.1	0.1
Return on scheme assets, excluding interest income	16.1	(1.7)	3.2	17.6	(7.7)	(1.8)	(9.5)
Amounts recognised in the condensed consolidated statement of comprehensive income	(5.4)	(1.2)	1.2	(5.4)	8.1	1.1	9.2

The amounts included in the condensed consolidated balance sheet are as follows:

	2021				2020		
	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
Fair value of scheme assets	215.3	30.7	35.3	281.3	191.1	11.8	202.9
Present value of defined benefit obligations	(256.7)	(27.7)	(39.4)	(323.8)	(236.4)	(13.2)	(249.6)
Net pension (liability)/asset	(41.4)	3.0	(4.1)	(42.5)	(45.3)	(1.4)	(46.7)

All figures above are shown before deferred tax.

Movements in the present value of defined benefit obligations in the year were as follows:

	2021 Group scheme £m	2021 Interserve scheme £m	2021 Other schemes £m	2021 Total £m	2020 Group scheme £m	2020 Other schemes £m	2020 Total £m
At 1 April	**236.4**	**–**	**13.2**	**249.6**	251.9	15.5	267.4
Arising on business combinations	**–**	**27.9**	**23.9**	**51.8**	–	–	–
Current service cost	**0.2**	**0.3**	**0.5**	**1.0**	0.3	0.3	0.6
Interest cost	**5.5**	**0.1**	**0.4**	**6.0**	6.0	0.3	6.3
Contributions from scheme members	**–**	**–**	**0.1**	**0.1**	–	0.2	0.2
Actuarial losses/(gains) arising due to changes in financial assumptions	**34.9**	**(0.6)**	**1.7**	**36.0**	(17.4)	(1.1)	(18.5)
Actuarial (gains)/losses arising from experience	**(9.4)**	**0.1**	**(0.3)**	**(9.6)**	1.6	(1.5)	0.1
Actuarial gains due to changes in demographic assumptions	**(4.0)**	**–**	**(0.4)**	**(4.4)**	–	(0.2)	(0.2)
Movement in asset ceiling	**–**	**–**	**1.0**	**1.0**	–	(0.1)	(0.1)
Benefits paid	**(7.1)**	**(0.1)**	**(0.7)**	**(7.9)**	(6.0)	(0.2)	(6.2)
Past service cost (including curtailments)	**0.2**	**–**	**–**	**0.2**	–	–	–
At 31 March	**256.7**	**27.7**	**39.4**	**323.8**	236.4	13.2	249.6

The defined benefit obligations of the Group scheme are analysed by participant status as at the 31 March 2020 funding valuation date below:

	2021 £m	2020 £m
Active	**3.6**	48.2
Deferred	**167.4**	122.9
Pensioners	**85.7**	65.3
At 31 March	**256.7**	236.4

Movements in the fair value of scheme assets were as follows:

	2021 Group scheme £m	2021 Interserve scheme £m	2021 Other schemes £m	2021 Total £m	2020 Group scheme £m	2020 Other schemes £m	2020 Total £m
At 1 April	**191.1**	**–**	**11.8**	**202.9**	190.5	13.1	203.6
Arising on business combinations	**–**	**31.9**	**20.2**	**52.1**	–	–	–
Interest income	**4.5**	**0.2**	**0.4**	**5.1**	4.6	0.3	4.9
Actuarial gains/(losses) on assets	**16.1**	**(1.7)**	**3.2**	**17.6**	(7.7)	(1.8)	(9.5)
Contributions from the sponsoring companies	**11.5**	**0.4**	**0.3**	**12.2**	10.4	0.3	10.7
Contributions from scheme members	**–**	**–**	**0.1**	**0.1**	–	0.1	0.1
Expenses paid	**(0.8)**	**–**	**–**	**(0.8)**	(0.7)	–	(0.7)
Benefits paid	**(7.1)**	**(0.1)**	**(0.7)**	**(7.9)**	(6.0)	(0.2)	(6.2)
At 31 March	**215.3**	**30.7**	**35.3**	**281.3**	191.1	11.8	202.9

Fair values of the assets held by the schemes were as follows:

	2021				2020		
	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m	Group scheme £m	Other schemes £m	Total £m
Equities	68.1	–	21.2	89.3	54.4	6.0	60.4
Government bonds	54.2	14.5	2.0	70.7	53.7	0.5	54.2
Corporate bonds	28.7	3.3	7.4	39.4	28.8	3.5	32.3
Property	16.7	2.1	2.2	21.0	16.6	1.4	18.0
Diversified growth fund	43.9	9.9	1.8	55.6	32.9	–	32.9
Cash	3.7	0.9	0.7	5.3	4.7	0.4	5.1
Total fair value of assets	**215.3**	**30.7**	**35.3**	**281.3**	191.1	11.8	202.9

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 59% (2020: 55%) of the assets are held in equities, property and pooled investment vehicles which seek a higher expected level of return over the long term.

The property assets represent quoted property investments.

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 (60%) in equities and other return-seeking assets (principally diversified growth funds (DGFs) and property). The returns on such assets tend to be volatile and are not correlated to government bonds. This means that the funding level has the potential to be volatile in the short term, potentially resulting in short-term cash requirements, or alternative security offers, which are acceptable to the Trustee, and an increase in the net defined benefit liability recorded on the Group's balance sheet. 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, government bonds and corporate bonds. The Group scheme holds 20% 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.

22. 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 account. 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.

23. Contingent liabilities and assets

Contingent liabilities

Cyber incident

On 13 May 2020, Interserve Group Limited (IGL) announced that it was subject to a cyber-attack . The attack affected elements of Interserve's IT systems (including enterprise resource planning and human resource systems), including elements related to Interserve. Once the cyber-attack was discovered, IGL commenced work with the National Cyber Security Centre and strategic response team to investigate, contain and remedy the situation.

The attack was reported to the ICO on 5 May 2020. The ICO has advised IGL that it considers it likely that IGL or members of the Interserve Group (which could include Interserve) are in breach or likely to be in breach of certain articles of the UK GDPR and that IGL or members of the Interserve Group (which could include Interserve) are likely to be subject to regulatory action in respect of the matter which could result in a remedial order or fine.

The share purchase agreement (SPA) entered into for the acquisition of Interserve gives Mitie the benefit of indemnity protection provided by How Group Limited, a subsidiary of IGL, for a two-year period from the Interserve acquisition date. This is expected to be sufficient to cover any penalty imposed by the ICO in relation to Interserve entities, however, the results of the ICO investigation cannot be predicted and the Group may be liable to pay a penalty that exceeds the level of indemnity cover of £40 million.

Management understands that the ICO investigation is ongoing. However, whilst any fine is likely to be issued within the two-year period covered by the SPA indemnity, the Group is unable to reliably estimate the amount of any potential fine at the reporting date.

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 condensed 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.

Management will continue to monitor events as matters progress.

In addition, the Company and its subsidiaries have provided performance and financial guarantees, issued by financial institutions on its behalf, amounting to £27.2m (2020: £20.6m) 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 as Mitie Property Services (UK) Limited still employs active members of the Plumbing Scheme.

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.

Contingent assets

Management is working to ensure that, through a combination of insurance claims and recourse to suppliers, a proportion of the £14.1m costs incurred in respect of rectification works for the Social Housing property maintenance contracts, including the £5.4m recorded in provisions at 31 March 2021 in Note 15, are recovered. At 31 March 2021, £1.8m recovery from insurers had been agreed and has been recognised as a receivable. The amount and timing of further recoveries is yet to be determined.

24. 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 (2020: £0.3m) to the Foundation.

During the financial year there were £0.6m transactions with joint ventures or associates. The amounts due from or to joint ventures and associates at the year end is £0.3m.

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 6. The remuneration for members of the MGX, including the share-based payments charge, is £6.3m (2020: £2.8m). 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.

	2021 £m	2020 £m
Short-term employment benefits	**3.4**	1.9
Post-employment benefits	**0.2**	0.3
Share-based payments	**2.7**	0.6
At 31 March	**6.3**	2.8

During the year ended 31 March 2021, the Group generated revenue of £0.1m (2020: £0.2m) relating to Informa plc, a company whose chairman is also Mitie Group plc's non-executive chairman. There were no outstanding balances at the year end (2020: £nil).

During the year ended 31 March 2021, the Group generated revenue of £0.6m (2020: £nil) relating to SIG plc, £0.2m (2020: £nil) relating to St James' Place plc and, £0.1m (2020: £nil) relating to Essentra plc, companies whose non-executive directors are also Mitie Group plc non-executive directors. The outstanding balances at the year ended 31 March 2021 are £0.5m (2020: £nil), £0.1m (2020: £nil) and £nil (2020: £nil) respectively.

All transactions with these related parties were made on terms equivalent to those that prevail in arm's length transactions. No expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by related parties.

25. Events after the reporting period

There are no material post balance sheet events that require adjustment or disclosure in the condensed financial statements.

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.

Operating profit		2021 £m	2020 £m
Operating profit from continuing operations	Statutory measures	**8.3**	64.6
Adjust for: restructure costs	Note 4	**26.3**	15.7
Adjust for: acquisition and disposal related costs	Note 4	**32.0**	3.5
Adjust for: other exceptional items	Note 4	**(3.2)**	2.3
Operating profit before other items from continuing operations	Performance measures	**63.4**	86.1
Operating profit from discontinued operations[1]	Statutory measures	**3.2**	51.8
Adjust for: acquisition and disposal related costs	Note 4	**(2.0)**	1.3
Adjust for: gain on disposal	Note 4	**(1.2)**	(50.3)
Operating profit before other items from discontinued operations	Performance measures	**–**	2.8
Operating profit before other items – Group	Performance measures	**63.4**	88.9

Notes:

1. Operating profit from discontinued operations comprises the profit before net finance costs and tax of £2.0m (2020: £1.5m) and gain on disposal before tax of £1.2m (2020: £50.3m).

Reconciliations are provided below to show how the Group's segmental reported results are adjusted to exclude other items.

Operating profit/(loss)	2021 £m Reported results	2021 £m Adjust for: Other items (Note 4)	2021 £m Performance measures	2020 £m Reported results	2020 £m Adjust for: Other items (Note 4)	2020 £m Performance measures
Segment						
Business Services	**30.8**	**18.6**	**49.4**	42.4	(0.2)	42.2
Technical Services	**3.7**	**22.7**	**26.4**	47.9	8.0	55.9
Specialist Services	**18.5**	**4.0**	**22.5**	25.1	0.2	25.3
Care & Custody	***5.5***	***1.9***	***7.4***	*7.6*	*0.1*	*7.7*
Landscapes	***7.6***	***0.8***	***8.4***	*8.6*	*–*	*8.6*
Waste	***5.4***	***1.3***	***6.7***	*8.9*	*0.1*	*9.0*
Interserve	**6.3**	**7.0**	**13.3**	–	–	–
Corporate centre	**(51.0)**	**2.8**	**(48.2)**	(50.8)	13.5	(37.3)
Total from continuing operations	**8.3**	**55.1**	**63.4**	64.6	21.5	86.1
Catering	**(1.6)**	**1.6**	**–**	53.5	(50.7)	2.8
Healthcare	**2.1**	**(2.1)**	**–**	0.5	(0.5)	–
Pest Control	**0.7**	**(0.7)**	**–**	(0.7)	0.7	–
Social Housing	**2.0**	**(2.0)**	**–**	(1.5)	1.5	–
Total from discontinued operations	**3.2**	**(3.2)**	**–**	51.8	(49.0)	2.8
Total – Group	**11.5**	**51.9**	**63.4**	116.4	(27.5)	88.9

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.

Earnings per share		2021 pence	Restated[1] 2020 £m
Statutory basic (loss)/earnings per share	Statutory measures	**(0.6)**	12.9
Adjust for: earnings per share from discontinued operations		**(0.3)**	(7.1)
Statutory basic (loss)/earnings per share from continuing operations		**(0.9)**	5.8
Adjust for: other items per share from continuing operations		**4.4**	2.5
Basic earnings per share before other items from continuing operations	Performance measures	**3.5**	8.3

Note:

1. Restated for the bonus element of the 2020 rights issue. See Note 22.

Organic revenue

The Group adjusts revenue from continuing operations for the impact of acquisitions to show organic revenue in order for users of the financial statements to obtain a proper understanding of the underlying movements in these business measures.

Revenue from continuing operations	2021 £m Group revenue	2021 £m Share of revenue of joint ventures and associates	2021 £m Adjust for acquisition of businesses[1]	2021 £m Performance measures	2020 £m Group revenue	2020 £m Adjust for acquisition of businesses[1]	2020 £m Performance measures
Segment							
Business Services	**1,085.0**	**–**	**(144.0)**	**941.0**	986.9	(172.2)	814.7
Technical Services	**820.7**	**–**	**–**	**820.7**	947.2	–	947.2
Specialist Services	**233.6**	**–**	**–**	**233.6**	239.6	–	239.6
Care & Custody	***108.8***	**–**	**–**	***108.8***	*110.2*	–	*110.2*
Landscapes	***50.2***	**–**	**–**	***50.2***	*47.8*	–	*47.8*
Waste	***74.6***	**–**	**–**	***74.6***	*81.6*	–	*81.6*
Interserve	**420.2**	**29.8**	**(450.0)**	**–**	–	–	–
Total for continuing operations	**2,559.5**	**29.8**	**(594.0)**	**1,995.3**	2,173.7	(172.2)	2,001.5

Note:

1. Comprises revenue of £450.0m (2020: £nil), £143.2m (2020: £171.7m) and £0.8m (2020: £0.5m) in relation to the acquisitions of Interserve, VSG and GAIG respectively.

Net debt

Net debt is defined as the excess of total borrowings over 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, has been excluded from the net debt measure.

A reconciliation from reported figures is presented below:

Net debt		2021 £m	Restated[1] 2020 £m
Cash and cash equivalents[1]		**196.2**	139.5
Adjusted for: restricted cash	Note 17	**(18.7)**	–
Financing liabilities	Note 18	**(278.8)**	(320.7)
Derivative financial instruments hedging private placement notes		**14.6**	28.2
Net debt	Performance measures	**(86.7)**	(153.0)

Note:

1. The Group has changed its accounting policy in relation to the recognition of BACS payments (see Note 1). As a result, the comparatives as at 31 March 2020 have been restated with a reclassification between trade and other receivables, trade and other payables and cash and cash equivalents as set out in Note 1. There has been no change in net assets.

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 net debt of £47.1m for the year ended 31 March 2021, compared with £327.6m for the year ended 31 March 2020.

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		2021 £m	Restated[1] 2020 £m
Net cash generated from operating activities[1]	Statutory measures	**22.9**	70.3
Add: net decrease in restricted cash[2]		**0.7**	–
Interest received		**0.8**	0.4
Dividends received from joint ventures and associates		**0.8**	–
Purchase of property, plant and equipment		**(7.6)**	(8.2)
Purchase of other intangible assets		**(15.0)**	(11.2)
Disposal of property, plant and equipment		**1.0**	0.4
Capital element of lease rentals paid		**(28.1)**	(21.2)
Free cash (outflow)/inflow	Performance measures	**(24.5)**	30.5

Notes:

1. The Group has changed its accounting policy in relation to the recognition of BACS payments (See Note 1). As a result, the comparatives on the condensed consolidated statement of cash flows for the year ended 31 March 2020 have been restated, with an overall increase in net cash generated from operations of £20.3m due to an increase in payables of £16.3m and a decrease in receivables of £4.0m.
2. Restricted cash on date on acquisition of Interserve was £19.4m (See Note 20) which decreased to £18.7m at 31 March 2021 (See Note 17).

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.

		2021 £m	Restated[1] 2020 £m
Net assets	Statutory measures	**361.8**	80.5
Add:			
Non-current liabilities		**406.5**	373.7
Current provisions		**48.3**	41.4
Amortisation of acquisition related intangibles including joint ventures and associates related to the Interserve acquisition[2]		**6.7**	–
Deduct:			
Non-current derivative financial assets		**(14.6)**	(28.0)
Current derivative financial assets		**–**	(0.2)
Non-current deferred tax assets		**(32.0)**	(32.6)
Cash and cash equivalents[1]		**(196.2)**	(139.5)
Invested capital	Performance measures	**580.5**	295.3
Continuing operating profit before other items		**63.4**	86.1
Tax[3]		**(11.7)**	(14.6)
Continuing operating profit before other items after tax		**51.7**	71.5
ROIC %	Performance measures	**8.9%**	24.2%

Notes:

1. The Group has changed its accounting policy in relation to the recognition of BACS payments (see Note 1). As a result, the comparatives as at 31 March 2020 have been restated with a reclassification between trade and other receivables, trade and other payables and cash and cash equivalents as set out in Note 1. There has been no change in net assets.
2. The amortisation of acquired intangible assets related to the Interserve acquisition has been added back on the basis that this would otherwise erode invested capital to a significant extent.
3. Tax charge has been calculated at the effective tax rate for the year for continuing operations of 18.5% (2020: 17.0%).