9 June 2022

Mitie Group plc

Full year results for the twelve months to 31 March 2022
"Strong financial performance, reinstated final dividend and share buyback announced"

Highlights

- Revenue including share of joint ventures and associates[1] of £3,997m, up 58% (FY21: £2,529m), boosted by new contract wins, as well as good growth at Interserve Facilities Management (Interserve) and £448m from flexible rapid-response COVID-related contracts
- Operating profit before other items[1,2] of £167m, up 184% (FY21: £59m) with higher operating profit margin of 4.2% (FY21: 2.3%) due to the contribution from the higher margin, flexible rapid-response COVID contracts
- Operating profit after other items of £72m (FY21: £4m), reflecting the stronger performance this year
- The legacy Interserve business has performed well with 90% of contracts renewed in the period and cost synergies of £30m
- New contract wins, renewals/extensions and projects of approximately £3.8bn total contract value, with renewal rates of 90%. Book to bill ratio of 105%[1]
- Average daily net debt for the year ended 31 March 2022 fell to £25m (FY21: £47m); net cash of £27m at year end
- Free cash inflow[3] of £133m (FY21: outflow of £25m) due to increased profitability and lower working capital
- Acquisitions of £27m in fast growing, high return businesses; disposal of Mitie Document Management for £40m
- EPS before other items of 9.2p significantly increased due to higher operating profit combined with a lower effective tax rate (FY21: 3.1p)
- Final dividend recommended of 1.4 pence per share, taking total dividend for FY22 to 1.8 pence per share (FY21: nil)
- Initial £50m share buyback programme launched as part of strategy to increase returns to shareholders

Results for the twelve months ended 31 March 2022

Continuing operations[1] £m unless otherwise specified	**Twelve months to 31 March 2022**			Twelve months to 31 March 2021[1,2]		
	Before other items[3]	Other items[3]	Total	Before other items[3]	Other items[3]	Total
Revenue including share of JVs & associates	3,997		3,997	2,529		2,529
Group revenue	3,903		3,903	2,499		2,499
Operating profit	167	(95)[3]	72	59	(55)	4
Operating profit margin	*4.2%*		*1.8%*	*2.3%*		*0.2%*
Profit/(loss) before tax	147	(95)	52	41	(55)	(14)
Profit/(loss) for the period	128	(97)	31	33	(47)	(14)
Basic earnings/(loss) per share	9.2p		2.2p	3.1p	-	(1.3)p
Dividend per share			1.8p			Nil
Cash generated from operations			264			39
Free cash flow[3]			133			(25)
Average daily net (debt)			(25)			(47)
Closing net cash/(debt)			27			(87)
Total order book[4]			£9.5bn			£9.3bn

1. From continuing operations. The results of the Document Management business and the operations in the Nordics and Poland, which were disposed in H1 FY22, are represented within discontinued operations as described in Note 5 to the condensed consolidated financial statements.
2. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for Software as a Service (SaaS) arrangements as a result of the International Financial Reporting Interpretations Committee (IFRIC) agenda decision. Refer to Note 1 to the condensed consolidated financial statements.
3. Other items are as described in Note 4 to the condensed consolidated financial statements. In FY22 £68.0m relates to non-cash items, including amortisation of intangible assets (£21.9m) and Interserve completion accounts receivable adjustment (£45.6m).
4. Total order book includes secured fixed term contract work, variable (including estimated unsecured work) and project work.

[1] *Book to bill ratio is the relationship between orders received and revenue recognised for the period*

Commenting on the FY22 results, Phil Bentley, Group Chief Executive, said:

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

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

"Our strategy – focused on accelerating growth, enhancing margins and improving cash generation – is creating a strong platform to further improve earnings. Our robust balance sheet and significant free cash flow allowed for continued investment in high return acquisitions across decarbonisation (Rock Power Connections and Biotecture), telecoms maintenance (DAEL Ventures UK), and intelligent security (Esoteric). Two further telecoms maintenance businesses (P2ML and 8point8) were acquired early in FY23 and today we announce we have entered into a Sale & Purchase Agreement (SPA) for Custom Solar, a solar power solutions company.

"Underpinning our strategy is our 'Science of Service' offering, which we launched in the final quarter of FY22. This provides a solution to our customers whose workspaces require greater hygiene, intelligent security, and critical asset monitoring backed by data analytics, whilst our internal technology is driving productivity gains and cost efficiencies, supporting our margin enhancement strategy. Our technology is a key driver of both our new contract wins including projects – up to £2.1bn TCV in the year - and our high renewals rates - 90% in the period.

"As part of our strategic focus on long-term value creation, our revised medium term capital allocation policy will focus on investments in high margin bolt-on acquisitions, whilst increasing shareholder returns. The Board is recommending a reinstatement of the final dividend of 1.4p and Mitie will now commence an initial £50m share buyback programme.

"The current year has started well, with significant contract wins from Hammerson, Netflix, Poundland, and Primark as well as renewals/extensions of our contracts to support military bases in Cyprus, Ascension Islands, and the Falklands. This new business momentum, together with a full year's contribution from significant contract wins including FDIS and BAE and the uptick in Government projects and variable works (as our customers experience higher utilisation rates across their buildings), gives us confidence in our growth outlook. The impact of inflation on our business continues to be well managed and we will see further benefits this year from our margin enhancement initiatives. As a result, in FY23, after excluding the £448m COVID related contract work that was delivered in FY22, we expect to deliver mid to high single digit revenue growth, together with good operating margin progress."

-END-

This announcement contains inside information. The person responsible for arranging the release of this announcement on behalf of the Company is Peter Dickinson, Chief of Staff and General Counsel.

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 (9 June 2022) at 9.30am at The Shard and via a webcast. 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 places where Britain works and is the leading facilities management company in the UK. We offer a range of services to the Public Sectors in Central Government and Defence and Communities (Healthcare, Education and Campus & Critical). Our Technical Services (Engineering Services, Energy, Water and Real Estate Services) and Business Services (Security, Cleaning and Office Services) divisions serve private sector customers in Telecoms, Financial & Professional Services, Transport and Industrials and increasingly to the public sector. Finally, our Specialist Services (Care & Custody, Landscapes, Waste Management and Spain) division serves both the public and private sectors in these niche businesses.

Mitie acquired Interserve's facilities management business on 30 November 2020 and now employs 72,000 people. We are the champion of the 'Frontline Heroes' who have kept Britain working during the COVID 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 and in the past twelve months has received multiple awards – the top three from each division are listed below. Find out more at www.mitie.com.

Corporate
- Top Employer, Top Employers Institute, 2022
- UK Inclusive Top 50 Employers, Inclusive Companies, 2021
- A- Climate Change score, CDP, 2021

Business Services
- Outstanding Contract Security Company (Guarding), Outstanding Security Performance Awards, 2022
- Security Guarding Company of the Year, Fire & Security Matters, 2022
- Sustainable Company of the Year, Cleaning Excellence Awards, 2021

Central Government & Defence
- RoSPA Gold Award, Royal Society for the Prevention of Accidents, 2022
- Collaboration Award, IWFM Impact Awards, 2021
- Government Outsourcing Awards - Best low carbon capital project with Landmarc and Defence Infrastructure Organisation (DIO)

Communities
- Gold Award, National Union of Students Green Impact competition, 2022
- People's Choice Award, Government Property Awards, 2021
- Green Apple Award, The Green Organisation, 2021

Technical Services
- Fleet of the Year (Over 1,000 vehicles), Fleet News Awards, 2022
- RoSPA Gold Award, Royal Society for the Prevention of Accidents, 2022
- Positive Climate Action award, IWFM Impact Awards, 2021

Waste
- RoSPA Waste Management & Recycling Industry Sector Award, Royal Society for the Prevention of Accidents, 2022
- Three Stars for 'Bin the Bag' campaign, Zero Waste Awards, 2021
- Green Apple for Environmental Best Practice, Green Apple Awards, 2020

Landscapes
- RoSPA Gold Award, Royal Society for the Prevention of Accidents, 2022
- Best Landscaping Company Over £5m Turnover, ProLandscaper Business Awards, 2021
- Three Gold Leaf Awards, plants at work

Chief Executive's strategic review

Overview

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

Margin-accretive growth strategy

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

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

Accelerated growth

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

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

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

Prior to the acquisition, Interserve's contract renewal rates were significantly lower than Mitie's. It is therefore pleasing that we have renewed or extended 90% of Interserve contracts that have come up for renewal. These renewals are driven by Mitie's technology and innovative solutions, and our improved customer service – reflected in a 31 point improvement in our Interserve customer net promoter score to +13 points (from -18 points). Since the year end, we have successfully extended the contract for the overseas military bases in Cyprus, Ascension Islands, and the Falklands, continuing our solid track record of renewing former Interserve customer contracts.

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

Our total order book (secured fixed term contract work, variable (including estimated unsecured work) and project work) has increased to £9.5bn (FY21: £9.3bn) driven by new wins across the Central Government & Defence and Technical Services divisions, and renewals in Business Services. The book to bill ratio (the relationship between orders received and revenue recognised) is 105%. The pipeline is buoyant and includes opportunities from the latest Government framework RM6232, which offers significant opportunities for growth.

Complementing our organic growth initiatives, our strategy also includes expanding our portfolio through infill acquisitions in high growth sectors. In total, £27m was invested in telecoms site acquisition and maintenance, decarbonisation and intelligent security businesses. DAEL Ventures UK was acquired on 5 August 2021, Rock Power Connections on 1 November 2021, Esoteric on 17 November 2021 and Biotecture on 1 February 2022. Since the year end, we have added two further telecoms site acquisition and maintenance companies to the telecoms division, P2ML and 8point8, and today announce we have entered into a Sale & Purchase Agreement (SPA) for Custom Solar, a solar power solutions company. During the year we sold the Document Management business for £40m. Acquisitions will be funded out of free cash flow or from existing debt facilities, whilst maintaining leverage below 1x average net debt to EBITDA before other items.

Margin enhancement

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

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

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

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

The digital supplier platform went live in several Mitie divisions in the final quarter of FY22, providing the Group with real visibility of where we spend our customers', and our own, money with our Supply Chain. Through this system we control our purchases using a digital catalogue and ensure complete transparency over our £1.4bn of third-party spend. We are targeting £10m of savings over FY23 and FY24. The transparency over our third-party spend also highlights insourcing opportunities in those areas where Mitie delivers equivalent services, such as Landscaping, Waste, Cleaning and Projects.

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

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

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

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

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

Cash generation

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

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

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

Capability enablers

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

The Science of Service

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

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

Our Technical Service Operations Centre (TSOC) which opened in Manchester in December, uses cutting-edge workplace technology to monitor thousands of pieces of equipment remotely, from boilers to lighting systems. It enables teams of specialist engineers to run diagnostics, adjust settings, and to predict when maintenance is needed. 65% of faults on remotely monitored assets have been fixed directly from the TSOC rather than sending out a technician. Customers are handing over access to their building management systems allowing Mitie to manage their environment. One customer alone has reduced energy consumption by 16% since Mitie began monitoring their sites.

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

Creating a 'Great place to work'

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

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

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

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

ESG & decarbonisation

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

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

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

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

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

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

Leveraging the Interserve acquisition

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

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

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

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

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

Rapid response, flexible contracts for Government

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

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

Financial performance

Revenue

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

Operating profit

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

Cash flow and balance sheet

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

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

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

Inflation

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

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

Capital allocation

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

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

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

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

Outlook

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

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

Operating review

Following the Interserve Facilities Management (Interserve) acquisition Mitie now operates under five divisions, with management expertise aligned along customer and service delivery lines.

Interserve was acquired by Mitie on 30 November 2020 and contributed a full twelve months of trading from 1 April 2021, to 31 March 2022, but only four months of trading in the year ending 31 March 2021.

The Group disposed of the Document Management business and the operations in the Nordics and Poland in the year ended 31 March 2022. The results of these operations have been removed from Business Services and Technical Services respectively and included within discontinued operations. All financial information reported below is for 'continuing operations' and is stated before other items.

Business Services

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

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

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

Performance highlights

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

Operational performance

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

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

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

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

Central Government and Defence (CG&D)

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

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

Performance highlights

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

Operational performance

CG&D employs c.5,500 employees across 22 contracts and 30 government departments and agencies, at 3,000 locations across the UK and overseas. This includes the maintenance of the 1% of the UK land mass that is reserved for the defence training estate.
When Interserve was acquired, our focus was on investing in technology and people to deliver operational excellence to our customers. Mite has introduced Aria, Mozaic and new Azure Secure Cloud infrastructure, and has been rewarded with 100% renewal rates for contracts across Central Government & Defence.

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

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

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

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

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

Communities

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

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

Performance highlights

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

Operational performance

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

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

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

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

Technical Services

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

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

Performance highlights

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

Operational performance

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

Technical Services continues to be at the forefront of our 'Science of Service' ambitions using our leading edge technology to set us apart from our competitors by optimising employee wellbeing, enhancing estate intelligence and providing smart decarbonisation and green energy solutions. Connected Workspace is a critical component of our new wins and scope expansion with existing customers as they adapt to new, hybrid ways of working. There are now

11,000 desk sensors being remotely monitored to book desks and 78,000 triggered alarms were dealt with remotely – saving engineer journeys. Our UVC disinfection system technology has been installed in ten customers ensuring a safe working environment.

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

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

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

Specialist Services

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

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

Performance highlights

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

Operational performance

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

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

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

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

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

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

Corporate overheads

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

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 financial performance. Accordingly, the Group separately reports impairment of goodwill, cost of restructuring programmes, acquisition and disposal related costs (including the impairment and amortisation of acquisition related intangible assets), gains or losses on business disposals and other exceptional items as 'other items'.

Financial performance

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

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

[1] *The Group disposed of the Document Management business and operations in the Nordics and Poland in H1 FY22. The results of these operations are re-presented within discontinued operations (see Note 5 to the condensed consolidated financial statements).*

[2] *The comparatives for FY21 have been restated for a change in accounting policy related to upfront configuration and customisation costs incurred in implementing Software as a Service (SaaS) arrangements (see Note 1 to the condensed consolidated financial statements).*

Revenue

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

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

Operating profit

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

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

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

Other items

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

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

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

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

Other items from discontinued operations in FY22 relate to the disposal of the Document Management business on 30 September 2021, the disposal of operations in the Nordics and Poland on 1 June 2021 and the settlement of a contractual dispute related to the previous disposal of the Social Housing business. Total consideration for the

Document Management business (before debt-free/cash-free and normalised working capital reductions of £3.3m) was £40.0m, which realised a gain on disposal of £16.0m.

Net finance costs

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

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

Tax

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

The effective tax rate for FY22 reflects the increase in the rate of UK corporation tax from 19% to 25%, with effect from 1 April 2023, which was substantively enacted during FY22. As a result, deferred tax balances (including those arising from historical Interserve losses) have been recalculated using the higher rate where appropriate, resulting in a £9.0m tax credit before other items related to an increase in net deferred tax assets. If the impact of the tax rate change was excluded, the tax charge on profit before other items from continuing operations would be £28.0m, representing an effective tax rate of 19.0% which is broadly in line with FY21. The effective tax rate is expected to be below the headline corporation tax rate over the next year, as tax losses are converted into deferred tax assets.

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

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

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

Joint ventures and associates

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

Earnings per share

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

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

Return on invested capital (ROIC)

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

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

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

Balance sheet

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

[1] The comparatives for FY21 have been restated for measurement period adjustments in respect of the Interserve acquisition (see Notes 2 and 20 to the condensed consolidated financial statements) and a change in accounting policy related to upfront configuration and customisation costs incurred in implementing Software as a Service (SaaS) arrangements (see Note 1 to the condensed consolidated financial statements)

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

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

Acquisition of Interserve

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

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

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

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

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

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

Further details on the acquisition of Interserve are set out in Note 20 to the condensed consolidated financial statements.

Change in accounting policy

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

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

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

Provisions

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

Retirement benefit schemes

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

The net liabilities at 31 March 2022 include a net accounting surplus of £1.6m (FY21: surplus of £3.0m) for a scheme acquired with the Interserve business. There is also an accounting surplus related to a pension scheme within a joint venture acquired with Interserve, Mitie's £3.8m share of which is reported within 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 agreed a deficit recovery plan with the trustees totalling £92.8m over seven years, of which £21.5m had been paid to 31 March 2022.

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

Government support

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

Cash flow and net debt

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

Closing net cash/(debt)	**26.7**	(86.7)
Average net (debt)	**(24.7)**	(47.1)
Leverage ratio[3]	**0.1x**	0.5x

[1] *The Group disposed of the Document Management business and operations in the Nordics and Poland in H1 FY22. The results of these operations are re-presented within discontinued operations.*

[2] *The comparatives for FY21 have been restated for a change in accounting policy related to upfront configuration and customisation costs incurred in implementing Software as a Service (SaaS) arrangements (see Note 1 to the condensed consolidated financial statements).*

[3] Leverage ratio is calculated as average daily net debt / EBITDA before other items on continuing operations.

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

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

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

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

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

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

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

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

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

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

Net debt

Average daily net debt of £24.7m for FY22 was £22.4m lower than in FY21, despite the £91m benefit in FY21 of taxes deferred under HMRC's 'Time To Pay' (TTP) scheme (which were repaid by the end of FY21). Excluding the benefit of TTP, average net debt in FY22 improved by £113m. This resulted in a leverage ratio (average daily net debt / EBITDA before other items on continuing operations) of 0.1x for FY22 (FY21: 0.5x).

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

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

Total Financial Obligations (TFO)

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

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

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

Liquidity and covenants

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

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

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

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

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

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

Condensed consolidated income statement
For the year ended 31 March 2022

	Notes	2022 Before other items £m	2022 Other items[3] £m	2022 Total £m	Restated[1,2] 2021 Before other items £m	Restated[1,2] 2021 Other items[3] £m	Restated[1,2] 2021 Total £m
Continuing operations							
Revenue including share of joint ventures and associates		**3,996.8**	**–**	**3,996.8**	2,528.8	–	2,528.8
Less: share of revenue of joint ventures and associates	12	**(93.5)**	**–**	**(93.5)**	(29.8)	–	(29.8)
Group revenue	3	**3,903.3**	**–**	**3,903.3**	2,499.0	–	2,499.0
Cost of sales		**(3,451.5)**	**–**	**(3,451.5)**	(2,222.7)	–	(2,222.7)
Gross profit		**451.8**	**–**	**451.8**	276.3	–	276.3
Administrative expenses		**(291.5)**	**(102.2)**	**(393.7)**	(219.4)	(53.6)	(273.0)
Other income		**–**	**9.8**	**9.8**	–	–	–
Share of profit/(loss) of joint ventures and associates	12	**6.6**	**(2.4)**	**4.2**	1.9	(1.2)	0.7
Operating profit/(loss)[4]	3	**166.9**	**(94.8)**	**72.1**	58.8	(54.8)	4.0
Finance income		**0.2**	**–**	**0.2**	0.5	–	0.5
Finance costs		**(20.0)**	**–**	**(20.0)**	(18.2)	–	(18.2)
Net finance costs		**(19.8)**	**–**	**(19.8)**	(17.7)	–	(17.7)
Profit/(loss) before tax		**147.1**	**(94.8)**	**52.3**	41.1	(54.8)	(13.7)
Tax	7	**(19.0)**	**(2.0)**	**(21.0)**	(7.9)	7.5	(0.4)
Profit/(loss) from continuing operations after tax		**128.1**	**(96.8)**	**31.3**	33.2	(47.3)	(14.1)
Discontinued operations							
Profit from discontinued operations before tax	5	**3.0**	**17.0**	**20.0**	5.4	2.9	8.3
Tax	7	**(0.6)**	**–**	**(0.6)**	(0.7)	(0.4)	(1.1)
Profit from discontinued operations after tax	5	**2.4**	**17.0**	**19.4**	4.7	2.5	7.2
Profit/(loss) for the year attributable to owners of the parent		**130.5**	**(79.8)**	**50.7**	37.9	(44.8)	(6.9)
Earnings/(loss) per share (EPS) attributable to owners of the parent							
From continuing operations:							
Basic	9	**9.2p**		**2.2p**	3.1p		(1.3)p
Diluted	9	**8.3p**		**2.0p**	3.1p		(1.3)p
Total Group:							
Basic	9	**9.4p**		**3.6p**	3.5p		(0.6)p
Diluted	9	**8.5p**		**3.3p**	3.5p		(0.6)p

Notes:
1. The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations for the year ended 31 March 2021 have been re-presented within discontinued operations. Refer to Note 5.
2. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for Software as a Service (SaaS) arrangements as a result of the International Financial Reporting Interpretations Committee (IFRIC) agenda decision. Refer to Note 1.
3. Other items are as described in Note 4.
4. Including net impairment losses on trade receivables and accrued income of £0.8m (2021: £6.2m).

Condensed consolidated statement of comprehensive income
For the year ended 31 March 2022

	Notes	2022 £m	Restated[1] 2021 £m
Profit/(loss) for the year		**50.7**	(6.9)
Items that will not be reclassified to profit or loss in subsequent years			
Remeasurement of net defined benefit pension liabilities	21	**22.1**	(5.4)
Share of other comprehensive income of joint ventures	12	**0.7**	0.4
Tax (charge)/credit relating to items that will not be reclassified to profit or loss in subsequent years	7	**(3.8)**	1.0
		19.0	(4.0)
Items that may be reclassified to profit or loss in subsequent years			
Exchange differences on translation of foreign operations		**0.1**	(0.9)
Net losses on cash flow hedges taken to equity[2]		**(0.5)**	(1.1)
Tax credit relating to items that may be reclassified to profit or loss in subsequent years	7	**0.1**	0.1
		(0.3)	(1.9)
Other comprehensive income/(expense) for the year		**18.7**	(5.9)
Total comprehensive income/(expense) for the year attributable to owners of the parent		**69.4**	(12.8)

Notes:

1. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
2. Net losses on cash flow hedges taken to equity include fair value gains of £5.1m (2021: £13.7m losses) on derivative financial instruments used for hedging private placement notes. These gains are netted against reclassifications related to foreign exchange losses on private placement notes of £5.6m (2021: £12.6m gains).

Condensed consolidated balance sheet
As at 31 March 2022

	Notes	2022 £m	Restated[1] 2021 £m	Restated[1] 2020 £m
Non-current assets				
Goodwill	10	**301.3**	294.8	278.9
Other intangible assets	11	**258.9**	261.0	44.9
Property, plant and equipment		**143.9**	117.9	110.8
Interests in joint ventures and associates	12	**11.9**	11.0	–
Derivative financial instruments		**–**	14.6	28.0
Other receivables	13	**7.8**	8.3	3.3
Contract assets		**1.6**	2.4	3.2
Retirement benefit assets	21	**1.6**	3.0	–
Deferred tax assets	16	**11.1**	22.3	32.6
Total non-current assets		**738.1**	735.3	501.7
Current assets				
Inventories		**11.9**	12.7	4.8
Trade and other receivables	13	**704.0**	678.8	414.6
Contract assets		**1.6**	1.5	1.6
Derivative financial instruments		**19.6**	–	0.2
Current tax receivable		**1.0**	4.4	2.1
Cash and cash equivalents	17	**345.2**	196.2	139.5
Total current assets		**1,083.3**	893.6	562.8
Total assets		**1,821.4**	1,628.9	1,064.5
Current liabilities				
Trade and other payables	14	**(841.2)**	(701.8)	(513.4)
Deferred income		**(83.5)**	(84.8)	(35.9)
Current tax payable		**(4.1)**	(3.8)	–
Financing liabilities	18	**(171.1)**	(28.7)	(24.3)
Provisions	15	**(54.7)**	(55.5)	(41.4)
Total current liabilities		**(1,154.6)**	(874.6)	(615.0)
Net current (liabilities)/assets		**(71.3)**	19.0	(52.2)
Non-current liabilities				
Trade and other payables	14	**(2.8)**	(0.5)	(0.3)
Deferred income		**(32.6)**	(30.1)	(15.6)
Financing liabilities	18	**(129.5)**	(250.1)	(296.4)
Provisions	15	**(62.3)**	(68.1)	(11.8)
Retirement benefit liabilities	21	**(13.8)**	(45.5)	(46.7)
Deferred tax liabilities	16	**–**	(2.5)	(2.9)
Total non-current liabilities		**(241.0)**	(396.8)	(373.7)
Total liabilities		**(1,395.6)**	(1,271.4)	(988.7)
Net assets		**425.8**	357.5	75.8

Note:
1. The comparatives as at 31 March 2021 and 31 March 2020 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision (refer to Note 1) and the comparatives as at 31 March 2021 have also been restated for measurement period adjustments in respect of the Interserve acquisition (refer to Note 2, Note 16 and Note 20).

Condensed consolidated balance sheet continued
As at 31 March 2022

	2022 £m	Restated[1] 2021 £m	Restated[1] 2020 £m
Equity			
Share capital	**35.7**	35.6	9.3
Share premium	**130.6**	130.6	130.6
Merger reserve	**358.6**	358.6	99.9
Own shares reserve	**(36.9)**	(28.8)	(34.2)
Other reserves[2]	**28.4**	14.5	9.5
Hedging and translation reserve	**(2.6)**	(2.3)	(0.4)
Retained losses	**(88.0)**	(150.7)	(138.9)
Equity attributable to owners of the parent	**425.8**	357.5	75.8

Notes:

1. The comparatives as at 31 March 2021 and 31 March 2020 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
2. Other reserves include the share-based payments reserve and the capital redemption reserve.

Condensed consolidated statement of changes in equity

For the year ended 31 March 2022

	Share capital £m	Share premium £m	Merger reserve £m	Own shares reserve £m	Other reserves[1] £m	Hedging and translation reserve £m	Retained losses[2] £m	Restated[2] **Total equity £m**
At 1 April 2020[2]	9.3	130.6	99.9	(34.2)	9.5	(0.4)	(138.9)	**75.8**
Loss for the year[2]	–	–	–	–	–	–	(6.9)	**(6.9)**
Other comprehensive expense	–	–	–	–	–	(1.9)	(4.0)	**(5.9)**
Total comprehensive expense[2]	–	–	–	–	–	(1.9)	(10.9)	**(12.8)**
Transactions with owners								
Issue of shares[3]	26.3	–	261.7	–	–	–	–	**288.0**
Rights issue expenses[4]	–	–	(3.0)	–	–	–	–	**(3.0)**
Share-based payments	–	–	–	5.4	5.0	–	(0.9)	**9.5**
Total transactions with owners	26.3	–	258.7	5.4	5.0	–	(0.9)	**294.5**
At 31 March 2021[2]	35.6	130.6	358.6	(28.8)	14.5	(2.3)	(150.7)	**357.5**
At 1 April 2021[2]	35.6	130.6	358.6	(28.8)	14.5	(2.3)	(150.7)	**357.5**
Profit for the year	–	–	–	–	–	–	50.7	**50.7**
Other comprehensive income	–	–	–	–	–	(0.3)	19.0	**18.7**
Total comprehensive income	–	–	–	–	–	(0.3)	69.7	**69.4**
Transactions with owners								
Dividends paid	–	–	–	–	–	–	(5.7)	**(5.7)**
Issue of shares	0.1	–	–	(0.1)	–	–	–	**–**
Purchase of own shares	–	–	–	(13.8)	–	–	–	**(13.8)**
Share-based payments	–	–	–	5.8	13.9	–	(1.1)	**18.6**
Tax on share-based payments	–	–	–	–	–	–	(0.2)	**(0.2)**
Total transactions with owners	0.1	–	–	(8.1)	13.9	–	(7.0)	**(1.1)**
At 31 March 2022	35.7	130.6	358.6	(36.9)	28.4	(2.6)	(88.0)	**425.8**

Notes:

1. Other reserves include the share-based payments reserve and the capital redemption reserve.
2. The comparatives for the year ended 31 March 2021 and as at 1 April 2020 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
3. As part of the consideration for Interserve acquisition, 248.4 million shares were issued during the year ended 31 March 2021 with a premium of £88.4m arising (see Note 20). In addition, 805.1 million shares were issued during the year ended 31 March 2021 with a premium of £173.3m arising in connection with the rights issue which utilised a cash box structure. These share issues qualified for merger relief under Section 612 of the Companies Act 2006, so that the total premium arising of £261.7m was not required to be credited to share premium.
4. Under the cash box structure, the Group received £193.4m from the rights issue, after deduction of issue costs of £7.9m. The remaining £3.0m of rights issue expenses were paid by the Group.

Condensed consolidated statement of cash flows
For the year ended 31 March 2022

	Notes	2022 £m	Restated[1] 2021 £m
Continuing operations – operating profit before other items[2]	3	**166.9**	58.8
Continuing operations – other items[2]	4	**(94.8)**	(54.8)
Discontinued operations – operating profit after other items[2]	5	**19.9**	8.0
Adjustments for:			
Share-based payments expense		**18.6**	9.5
Defined benefit pension costs	21	**4.4**	2.0
Defined benefit pension contributions	21	**(14.2)**	(12.2)
Depreciation of property, plant and equipment		**41.6**	34.4
Amortisation of intangible assets	11	**27.2**	16.1
Amortisation of customer contracts and relationships for joint ventures arising on business combinations	12	**2.4**	1.2
Share of profit of joint ventures and associates	12	**(6.6)**	(1.9)
Amortisation of contract assets		**1.7**	1.7
Impairment of non-current assets		**3.7**	13.7
Loss on disposal of property, plant and equipment		**0.5**	–
Gain on disposal of businesses	5	**(13.0)**	(1.2)
Interserve completion accounts adjustment	20	**45.6**	–
Operating cash flows before movements in working capital		**203.9**	75.3
Decrease/(increase) in inventories		**0.9**	(1.7)
Increase in receivables		**(66.0)**	(4.3)
Increase in contract assets		**(1.0)**	(0.8)
(Decrease)/increase in deferred income		**(2.6)**	6.7
Increase/(decrease) in payables		**135.9**	(34.9)
Decrease in provisions		**(7.2)**	(1.4)
Cash generated from operations		**263.9**	38.9
Income taxes paid		**(16.2)**	(1.0)
Interest paid		**(17.5)**	(15.9)
Net cash generated from operating activities		**230.2**	22.0
Investing activities			
Acquisition of businesses, net of cash acquired[3]	20	**(24.9)**	(64.6)
Disposal of businesses, net of cash disposed	5	**29.9**	–
Interest received		**0.3**	0.8
Purchase of property, plant and equipment		**(15.4)**	(7.6)
Dividends received from joint ventures and associates	12	**4.0**	0.8
Purchase of other intangible assets	11	**(20.2)**	(14.1)
Disposal of property, plant and equipment		**0.4**	1.0
Net cash used in investing activities		**(25.9)**	(83.7)

Notes:

1. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
2. The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations are re-presented within discontinued operations. Operating profit after Other items from discontinued operations comprises profit before net finance income and tax of £6.9m (2021 restated: £6.8m) and gain on disposal before tax of £13.0m (2021: £1.2m). Refer to Note 5.
3. Acquisition of businesses is net of cash acquired of £4.8m (2021: £40.4m). Refer to Note 20.

Condensed consolidated statement of cash flows continued
For the year ended 31 March 2022

	Notes	2022 £m	2021 £m
Financing activities			
Proceeds from issue of ordinary shares		–	193.4
Purchase of own shares		**(13.8)**	–
Rights issue expenses paid		–	(3.0)
Capital element of lease rentals		**(33.9)**	(28.1)
Repayment of bank loans		–	(40.5)
Payment of arrangement fees		**(1.7)**	(2.8)
Equity dividends paid	8	**(5.7)**	–
Net cash (used in)/generated from financing activities		**(55.1)**	119.0
Net increase in cash and cash equivalents		**149.2**	57.3
Net cash and cash equivalents at beginning of the year		**196.2**	139.5
Effect of foreign exchange rate changes		**(0.2)**	(0.6)
Net cash and cash equivalents at end of the year	17	**345.2**	196.2

The above statement of consolidated cash flows includes cash flows from both continuing and discontinued operations. Further details of the cash flows relating to discontinued operations are shown in Note 5.

Reconciliation of net cash flow to movements in net debt	Notes	2022 £m	2021 £m
Net increase in cash and cash equivalents		**149.2**	57.3
Increase in restricted cash and cash held on trust[1]		**(18.8)**	(18.7)
Net increase in unrestricted cash and cash equivalents		**130.4**	38.6
Cash drivers			
Repayment of bank loans		–	40.5
Payment of arrangement fees		**1.7**	2.8
Capital element of lease rentals		**33.9**	28.1
Non-cash drivers			
Non-cash movement in bank loans		**(2.0)**	(1.1)
Non-cash movement in private placement notes and associated hedges		**(0.7)**	(1.1)
Non-cash movement in lease liabilities[2]		**(49.6)**	(41.1)
Effect of foreign exchange rate changes		**(0.3)**	(0.4)
Decrease in net debt during the year		**113.4**	66.3
Opening net debt		**(86.7)**	(153.0)
Closing net cash/(debt)	19	**26.7**	(86.7)

Notes:

1. As at 31 March 2022, £20.0m cash (2021: £nil) was held across the Group's bank accounts in respect of the CID facility, where cash collected from the Group's customers was held on trust for the CID facility provider. This cash was subsequently remitted to the CID facility provider by 5 April 2022.
2. Included within the non-cash movement in lease liabilities is £0.7m (2021: £14.2m) of lease liabilities arising on acquisition of businesses and £1.5m (2021: £nil) of lease liabilities on business disposals.

Notes to the condensed financial statements
For the year ended 31 March 2022

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 2022 and is prepared in accordance with UK-adopted International Accounting Standards.

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 years.

Statutory accounts for the years ended 31 March 2022, 31 March 2021 and 31 March 2020 have been reported on by the Independent Auditor. The independent auditor's reports for the years ended 31 March 2022 and 31 March 2021 were 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 reports for the years ended 31 March 2022, 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 years ended 31 March 2021 and 31 March 2020 have been filed with the Registrar and the statutory accounts for the year ended 31 March 2022 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 for the year ended 31 March 2022 have been prepared on a going concern basis. In adopting the going concern basis, the Directors have considered the Group's business activities and the principal risks and uncertainties.

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

The Group's principal debt financing arrangements as at 31 March 2022 were a £150m revolving credit facility, of which £141.5m was undrawn as at 31 March 2022, and £151.5m of US private placement (USPP) notes (being the repayment amount after taking account of the cross-currency swaps hedging the principal amount), of which £121.5m are due to mature in December 2022. The revolving credit facility was put in place in October 2021, maturing in October 2025 (with an option to extend for a further year, subject to lenders' approval), on significantly more favourable terms than the previous facility. These financing arrangements are subject to certain financial covenants which are tested every six months on a rolling 12-month basis.

The issue of £120.0m of new USPP notes has also been agreed, under a delayed funding arrangement in December 2022, avoiding any overlap with the existing £121.5m of notes that mature in the same month. The new notes are split equally between 8, 10 and 12 year maturities, and will be issued with an average coupon that is significantly below the current coupon. The remaining £30m of USPP notes are due to mature in December 2024, which is outside of the Going Concern Assessment Period.

Mitie currently operates within the terms of its agreements with its lenders, with consolidated net cash (i.e. net cash adjusted for covenant purposes, with appropriate adjustments for leases) of £147.7m at 31 March 2022. The Base Case Forecasts indicate that the Group will continue to operate within these terms and that the headroom provided by the Group's strong cash position and the debt facilities currently in place is adequate to support the Group over the Going Concern Assessment Period.

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

The primary financial risks related to adverse changes in the economic environment and/or a deterioration in commercial or operational conditions are listed below. These risks have been considered in the context of any potential further impact of COVID-19, as well as the potential impact of the Russian invasion of Ukraine:

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

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

- All stress test scenarios would require a very severe deterioration compared to the Base Case Forecasts. Revenue is considered to be the key risk, as this is less within the control of management. Revenue would need to decline by approximately 34% in the year ending 31 March 2023, compared to the Base Case Forecasts, that are based on mid-single digit underlying revenue growth (which excludes COVID related revenues). A 34% decline in revenue is considered to be very severe given the high proportion of Mitie's revenue that is fixed in nature and the fact that even in a COVID-hit year, Mitie's revenue excluding Interserve declined by only 1.6%.

- In the event that results started to trend significantly below those included in the Base Case Forecasts, additional mitigation actions have been identified that would be implemented, which are not factored into the reverse stress test scenarios. These include the short-term scaling down of capital expenditure, overhead efficiency / reduction measures including cancellation of discretionary bonuses and reduced discretionary spend, asset disposals and reductions in cash distributions and share buybacks.

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

Accounting standards that are newly effective in the current year
The following amendments became effective during the year ended 31 March 2022:

Interest Rate Benchmark Reform Phase 2 (IBOR) amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 were issued by the IASB in August 2020 to provide practical expedients and reliefs in relation to modifications of financial instruments and leases that arise from the transition from IBOR to an alternative benchmark rate. Phase 2 also provides further reliefs to hedge accounting requirements. These amendments were effective for the Group from 1 April 2021.

The impact of IBOR reform on the Group is not material.

IFRS 16 COVID-19 Related Rent Concessions
On 28 May 2020, the IASB issued COVID-19 Related Rent Concessions amendments to IFRS 16 *Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic.

The Group has not received COVID-19 related rent concessions during the year and therefore these amendments do not impact the Group.

Accounting standards that are not yet mandatory and have not been applied by the Group
On 14 May 2020, the IASB published amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The changes specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. The amendments are effective for annual periods beginning on or after 1 January 2022 and will be effective for the Group for the year ending 31 March 2023. The Group is currently in the process of assessing the impact of this amendment.

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 income statement to assist in understanding the underlying financial performance achieved by the Group. The Group separately reports impairment of goodwill, impairment and amortisation of acquisition related intangible assets, acquisition and disposal costs, gain or loss on business disposals, cost of restructuring programmes and other exceptional items and their related tax effect as Other items. Should these items be reversed, disclosure of this would also be as Other items.

Separate presentation of these items is intended to enhance understanding of the financial performance of the Group in the year and the extent to which results are influenced by material unusual and/or non-recurring items. Further detail of Other items is set out in Note 4.

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

(b) Accounting policy change
During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software as a Service (SaaS) arrangements in response to the International Financial Reporting Interpretations Committee (IFRIC) agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy is presented below.

SaaS arrangements are service contracts providing the Group with the right to access the provider's cloud-based application software over the contract period. Previously, Mitie's accounting policy was to capitalise the upfront configuration and customisation costs in implementing SaaS arrangements and to subsequently amortise them over their useful economic life.

In response to the clarification provided by the IFRIC agenda decision, Mitie has changed its accounting policy such that distinct upfront configuration and customisation costs incurred in implementing SaaS arrangements are recognised as operating expenses when the services are received. Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis.

The change in accounting policy has been accounted for retrospectively and, accordingly, the comparative information for 31 March 2021 and 1 April 2020 have been restated as summarised below.

Impact on the condensed consolidated income statement and statement of comprehensive income

For the year ended 31 March 2021

	As reported £m	Impact of changes in accounting policy £m	Discontinued operations restatement[1] £m	As restated £m
Group revenue from continuing operations	2,559.5	–	(60.5)	**2,499.0**
Cost of sales	(2,274.9)	–	52.2	**(2,222.7)**
Gross profit from continuing operations	284.6	–	(8.3)	**276.3**
Administrative expenses	(277.0)	0.5	3.5	**(273.0)**
Share of profit of joint ventures and associates	0.7	–	–	**0.7**
Total operating profit from continuing operations	8.3	0.5	(4.8)	**4.0**
Net finance costs	(17.4)	–	(0.3)	**(17.7)**
Loss from continuing operations before tax	(9.1)	0.5	(5.1)	**(13.7)**
Tax	(1.0)	(0.1)	0.7	**(0.4)**
Loss from continuing operations after tax	(10.1)	0.4	(4.4)	**(14.1)**
Profit from discontinued operations after tax	2.8	–	4.4	**7.2**
Loss for the year attributable to owners of the parent	(7.3)	0.4	–	**(6.9)**
Total comprehensive expense for the year attributable to owners of the parent	(13.2)	0.4	–	**(12.8)**

Note:

1. The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations are re-presented within discontinued operations. Refer to Note 5.

Impact on earnings per share

For the year ended 31 March 2021

Pence per share	As reported	Impact of changes in accounting policy	Discontinued operations restatement[1]	As restated
From continuing operations				
Basic loss per share	(0.9)p	–	(0.4)p	**(1.3)p**
Diluted loss per share	(0.9)p	–	(0.4)p	**(1.3)p**
Total Group				
Basic loss per share	(0.6)p	–	(0.0)p	**(0.6)p**
Diluted loss per share	(0.6)p	–	(0.0)p	**(0.6)p**

Note:

1. The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations are re-presented within discontinued operations. Refer to Note 5.

Impact on the condensed consolidated balance sheet

	31 March 2021			1 April 2020		
	As reported £m	Impact of changes in accounting policy £m	**As restated £m**	As reported £m	Impact of changes in accounting policy £m	**As restated £m**
Other intangible assets	266.2	(5.2)	**261.0**	50.6	(5.7)	**44.9**
Current tax receivable	3.5	0.9	**4.4**	1.1	1.0	**2.1**
Net assets	361.8	(4.3)	**357.5**	80.5	(4.7)	**75.8**
Retained losses	(146.4)	(4.3)	**(150.7)**	(134.2)	(4.7)	**(138.9)**
Equity attributable to owners of the parent	361.8	(4.3)	**357.5**	80.5	(4.7)	**75.8**

Impact on the condensed consolidated statement of cash flows

	For the year ended 31 March 2021		
	As reported £m	Impact of changes in accounting policy £m	**As restated £m**
Operating profit	11.5	0.5	**12.0**
Amortisation of intangible assets	17.5	(1.4)	**16.1**
Operating cash flows before movements in working capital	76.2	(0.9)	**75.3**
Cash generated from operations	39.8	(0.9)	**38.9**
Net cash generated from operating activities	22.9	(0.9)	**22.0**
Purchase of other intangible assets	(15.0)	0.9	**(14.1)**
Net cash (used in)/generated from investing activities	(84.6)	0.9	**(83.7)**
Cash and cash equivalents	196.2	–	**196.2**

2. Critical accounting judgements and key sources of estimation uncertainty

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

Critical judgements in applying the Group's accounting policies

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

Revenue recognition

The Group's revenue recognition policies are central to how the Group measures the work it has performed in each financial year.

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

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

Some of the Group's contracts include variable consideration where management assesses the extent to which revenue is recognised. For certain contracts, key judgements were made on whether it is considered highly probable that a significant reversal of revenue will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Profit before other items

Other items are items of financial performance which management believes should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group. Determining whether an item should be classified within Other items requires judgement as to whether an item is or is not part of the underlying performance of the Group.

Other items after tax of £79.8m were charged (2021: £44.8m) to the consolidated income statement for the year ended 31 March 2022. Included within the net charge were material one-off charges in respect of the implementation of the digital supplier platform of £4.4m which, in management's judgement, is a material one-off programme delivering a step change in the Group's supplier chain management capabilities and therefore meets the Group's definition to be categorised as Other items. Also included within other exceptional items is income of £9.8m, arising as a result of commercial negotiations with a certain customer leading to de-recognition of pre-acquisition liabilities with respect to Interserve, which in management's judgement is a material one-off income and meets the Group's policy for being categorised as Other items. A complete analysis of the amounts included in Other items is detailed in Note 4.

Recoverability of trade receivables and accrued income

The Group has material amounts of billed and unbilled work outstanding at 31 March 2022. Receivables are recognised initially at cost (being the same as fair value) and subsequently at amortised cost less any allowance for impairment, to ensure that amounts recognised represent the recoverable amount. The Group recognises a loss allowance for expected credit losses (ECLs) on all receivable balances from customers using a lifetime credit loss approach and includes specific allowance for impairment where there is evidence that the Group will not be able to collect amounts due from customers, subsequent to initial recognition. Management applies judgement on specific allowances for impairment based on the information available at each reporting date which includes information about past events, current conditions and forecasts of the future economic condition of customers.

IFRS 16 – Determining the lease term of contracts with renewal and termination options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any period covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. Management applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for the Group to exercise either the renewal or termination option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease.

Business combination – purchase price allocation
When the Group completes a business combination, the fair value of the identifiable assets and liabilities acquired are recognised through a purchase price allocation process, the determination of which requires management judgement.

Interserve acquisition
The Group completed the acquisition of Interservefm (Holdings) Limited (Interserve) on 30 November 2020. Under IFRS 3 *Business Combinations*, the fair value of assets and liabilities must be finalised within a 12-month measurement period following the date of acquisition (the Measurement Period), which ended on 29 November 2021 in the case of Interserve. During the Measurement Period, the Group performed further analysis of balances acquired as part of the Interserve transaction and decreased the fair value of the net identifiable assets acquired as reported at 31 March 2021 by £7.7m to £131.0m. This was predominantly due to increases in provisions for certain PFI contracts where new information had been received about facts and circumstances that existed as at the acquisition date, which in management's judgement, if known, would have affected the measurement of the amounts recognised at the acquisition date.

During the Measurement Period, the fair value of the consideration for the Group's acquisition of Interserve was increased by £4.9m to £146.9m. This was due to a reduction in management's best estimate of the amount expected to be received through the completion accounts process and other mechanisms allowed by the Share Purchase Agreement (SPA), from £57.6m to £52.7m, primarily reflecting the removal of certain liabilities on the acquisition balance sheet and adjustments arising from the completion accounts process. This estimate was based on the facts and circumstances that were present and known during the Measurement Period, although the outcome of the completion accounts process remained inherently uncertain at the end of the Measurement Period, given that the SPA terms related to the completion accounts mechanism were complex, and the completion accounts would be the subject of commercial negotiation and, in the absence of agreement, an expert determination process. As previously disclosed, it was therefore recognised that the final amount agreed could be materially different from the estimate. The completion accounts process (and expert determination) has since been concluded. Following the expert's determination, for which the expert sought a legal opinion in relation to the interpretation of the complex SPA requirements, an agreement was reached for the seller to pay £7.1m to the Group, of which £1.1m was settled during the second half of the year ended 31 March 2022 and £6.0m was settled in May 2022. The resulting £45.6m reduction in the related receivable has been recognised as an adjusting post balance sheet event in the consolidated income statement and classified as Other items, given that the Measurement Period had ended.

The changes made to the fair value of the net identifiable assets acquired and the consideration during the Measurement Period resulted in an increase in the goodwill balance of £12.6m to £15.9m which has been retrospectively adjusted (see Note 20).

The impact of the retrospective adjustment on the condensed consolidated balance sheet at 31 March 2021 is shown below.

				31 March 2021
	As reported £m	Interserve measurement period adjustments £m	Impact of change in accounting policy[1] £m	**As restated £m**
Goodwill	282.2	12.6	–	**294.8**
Other intangible assets	266.2	–	(5.2)	**261.0**
Deferred tax assets	32.0	(9.7)	–	**22.3**
Total non-current assets	737.6	2.9	(5.2)	**735.3**
Current trade and other receivables	683.6	(4.8)	–	**678.8**
Current tax receivable	3.5	–	0.9	**4.4**
Total current assets	897.5	(4.8)	0.9	**893.6**
Total assets	1,635.1	(1.9)	(4.3)	**1,628.9**
Current trade and other payables	(701.5)	(0.3)	–	**(701.8)**
Current deferred income	(84.5)	(0.3)	–	**(84.8)**
Current provisions	(48.3)	(7.2)	–	**(55.5)**
Total current liabilities	(866.8)	(7.8)	–	**(874.6)**
Net current assets	30.7	(12.6)	0.9	**19.0**
Deferred tax liabilities	(12.2)	9.7	–	**(2.5)**
Total non-current liabilities	(406.5)	9.7	–	**(396.8)**
Total liabilities	(1,273.3)	1.9	–	**(1,271.4)**
Net assets	361.8	–	(4.3)	**357.5**

Note:
1. The comparatives as at 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.

DAEL and Rock acquisitions
On 5 August 2021 the Group completed the acquisition of DAEL Ventures Limited (DAEL) and on 1 November 2021 the Group completed the acquisition of Rock Power Connections Limited (Rock). The most significant fair value adjustments arising on the acquisitions of DAEL and Rock related to attributing value to the acquired intangible assets recognised in the form of customer contracts and relationships.

In determining the fair value of customer contracts and relationships, the Group used forecast customer cash flows from the contracts and expected renewal rates and applied an appropriate discount rate specific to the asset. In determining the cash flows, management used judgement to estimate revenue growth, profit margins, contract renewal probability and the average contract duration remaining as well as the discount rate. This analysis indicated provisional fair values for customer contracts and relationships of £5.0m for DAEL and £2.5m for Rock with corresponding provisional deferred tax liabilities in relation to those intangible assets of £1.2m and £0.6m respectively.

Classification of disposed businesses as discontinued operations
On 1 June 2021, the Group completed the sale of Mitie Norge AS, Mitie Sverige AB and Mitie Polska Sp z.o.o (together, the Nordics and Poland operations). On 30 September 2021, the Group also completed the sale of Mitie Business Services Limited and Mitie Business Services UK Limited (together, the Document Management business).
The results of the Nordics and Poland operations have been classified as discontinued operations as the disposal related to specific geographical areas of operations and was part of a single co-ordinated plan. The results of the Document Management business have been classified as discontinued operations as the disposed business represented a separate major line of business and the disposal was part of a single co-ordinated plan. Comparative information has been re-presented to show the results of the Nordics and Poland operations and the Document Management business as discontinued operations.

Allocation of goodwill
The Group adopted a relative value approach based on operating profit before depreciation, amortisation, impairment and Other items to allocate goodwill to the disposed businesses and to reallocate goodwill related to the reorganisation of the divisional structure. As a result, goodwill of £14.4m allocated to the Document Management business and £1.4m allocated to the Nordics and Poland operations have been disposed. These amounts have been excluded from the carrying value of goodwill within the Business Services and Technical Services CGUs, respectively. These amounts are included in the net assets for the disposed businesses used in the determination of the gain or loss on disposal. Further details are included in Notes 5 and 10.

Similarly, as a result of Mitie's reorganisation of its divisional structure, goodwill has been reallocated between CGUs based on a relative value approach. Consequently, goodwill of £60.9m has been reallocated from the Technical Services CGU to the Communities CGU and £8.9m has been reallocated from the Business Services CGU to the Communities CGU.

Landmarc joint venture
The Group holds 51% of the equity shares in Landmarc Support Services Limited (Landmarc), a jointly-controlled entity, through its shareholding in Interserve. The remaining 49% of the equity shares in Landmarc are held by a single third party. Management considers Landmarc to be a joint venture despite the Group having majority voting rights. This is because, under the terms of the shareholder agreement, joint agreement is required with the other party to pass resolutions for all significant activities. Accordingly, the Group does not exert control on Landmarc to recognise it as a subsidiary.

The Group accounts for its investment in Landmarc using the equity method. See Note 12.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty, that have the most significant effect on the carrying value of assets and liabilities as at 31 March 2022, are discussed below:

Provisions and contingent liabilities
The Company and various of its subsidiaries are, from time to time, party to legal proceedings and claims that are in the ordinary course of business. Judgements are required in order to assess whether these legal proceedings and claims are probable, and the liability can be reasonably estimated, resulting in a provision or, alternatively, whether the items meet the definition of contingent liabilities.

Provisions are liabilities of uncertain timing or amount and therefore in making a reliable estimate of the quantum and timing of liabilities, judgement is applied and re-evaluated at each reporting date. The Group recognised provisions at 31 March 2022 of £117.0m (2021 restated: £123.6m). Further details are included in Note 15.

On 13 May 2020, Interserve Group Limited (IGL) announced that it was subject to a cyber-attack, which affected elements of the Interserve Group's IT systems (including enterprise resource planning and human resource systems), including elements related to the Interserve entities acquired by Mitie (the Cyber Incident).

The Cyber Incident was reported to the Information Commissioner's Office (ICO) on 5 May 2020. The ICO subsequently advised IGL that it considered it likely that IGL had breached certain articles of the GDPR. It was therefore possible that IGL or members of the Interserve Group could be subject to any regulatory action in respect of the Cyber Incident which, if they were found in breach of their obligations under the GDPR, could result in a remedial order or fine.

On 27 April 2022, the ICO subsequently issued a Notice of Intent (NOI) to IGL, advising that it is minded to issue IGL with a penalty notice under section 155 of the UK's Data Protection Act 2018. The NOI contains a confirmation that the ICO is satisfied that IGL is the controller with primary responsibility for the matters which gave rise to the breach of certain articles of the GDPR.

In accordance with the Share Purchase Agreement dated 25 June 2020 (SPA), pursuant to which Mitie acquired the Interserve entities from How Group Limited (HGL), HGL agreed to indemnify Mitie against any penalty that the ICO might impose on the Interserve entities acquired by Mitie in relation to the Cyber Incident (the Cyber Indemnity). The Cyber Indemnity was, alongside other indemnities given by HGL, secured by escrow arrangements, pursuant to which £40.0m was held in an escrow account for a period of two years (until 30 November 2022).

Management reasonably believe that, having regard to the NOI (including the confirmation that IGL is the relevant controller for the purposes of the ICO's investigation), the former Interserve entities, acquired on 30 November 2020, will not be subject to any regulatory action in respect of the Cyber Incident which could result in a remedial order or fine. Further details are included in Note 22.

Onerous contract provisions
Onerous contract provisions totalling £13.2m have been recognised at 31 March 2022 (2021 restated: £17.6m). These primarily arose on the acquisition of Interserve and include a measurement period adjustment of £6.4m (see Note 20).

Onerous contract assessments are performed by the Group at an individual contract level at each reporting date. Determining the carrying value of onerous contract provisions requires assumptions and complex judgements to be made about the future performance of the Group's contracts. The level of uncertainty in the estimates made, either in determining whether a provision is required, or in the measurement of a provision booked, is linked to the complexity of the underlying contract.

The major sources of judgement when measuring the level of provision to book are:

- the level of accuracy in forecasting future variable revenue and costs to complete the contract;
- the ability of the Group to maintain or improve operational performance to ensure cost assumptions are in line with expected levels, including contract specific key performance indicators (KPIs);
- identifying cost saving initiatives that are considered to be probable in terms of timing and scale; and
- expectations around the resolution of contract specific disputes and the likelihood of incurring future costs associated with remediation or reactive work.

The range of possible future outcomes in respect of judgements and assumptions made to determine the carrying value of the Group's onerous contract provisions could result in a material increase or decrease in the value of the provisions, and hence on the Group's profitability in the next financial year. To mitigate this, management regularly compares actual contract performance against previous forecasts used to measure the onerous contract provisions and considers if revised judgements are required.

The Directors have assessed the range of possible outcomes on contracts requiring an onerous contract provision, based on facts and circumstances that were present and known at the balance sheet date. To the extent that sensitivities around the major sources of estimation identified above in measuring the provision, in aggregate, the assessed range of possible future outcomes on these contracts in the next financial year could potentially lead to a reduction in the provision of up to £10m or a further increase of up to £19m being recognised.

An onerous contract provision has not been recognised on a certain contract which made a loss of £8.7m in the year ended 31 March 2022 (2021: £3.9m) and has 18 years remaining on the contract. This contract was acquired as part of the acquisition of Interserve, and a detailed turnaround plan is in the process of being implemented. Based on the plan, management expects that the contract will return to profitability and will record a cumulative profit for the remaining term of the contract.

Other contract specific provisions
In addition to the onerous contract provisions, the Group has recognised £43.1m of contract specific provisions at 31 March 2022 (2021 restated: £42.9m). These have been recognised primarily to cover costs required to meet specific contractual obligations.

Within this total, £14.7m relates to a certain contract where a significant liability has been estimated in relation to a commercial dispute. Management sought external assistance to value the potential risk exposure to the Group. The actual exposure to the Group may differ from the amount provided at 31 March 2022 due to the compounding effect of multiple variables associated with the particular issues involved in the dispute. The value of the provision represents management's best estimate. Management considers that to the extent that it is agreed or determined that the Group is found to have a liability, the assessed range of possible future outcomes could potentially lead to a reduction in the provision of up to £3m or a further increase of up to £9m being recognised, and other possible outcomes could increase the liability further. Management will continue to assess the provision recorded in arriving at its best estimate of any potential resolution at each subsequent reporting date.

Provisions in relation to certain contracts are also subject to independent adjudication and negotiation with the customers.

Measurement of defined benefit pension obligations
The net pension liability at 31 March 2022 was £12.2m (2021: £42.5m), which includes a retirement benefit asset of £1.6m (2021: £3.0m).

The measurement of defined benefit obligations requires judgement. It is dependent on material key assumptions including discount rates, life expectancy rates and future contribution rates. See Note 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 2022 (2021: £21.7m) for Section 75 employer debts in respect of the participation of Robert Prettie & Co. Limited and Mitie FM Limited in the Plumbing Scheme.

Deferred tax assets
The Group has recognised deferred tax assets of £11.1m (2021 restated: £22.3m), refer to Note 16. Recovery of these assets is subject to the Group generating taxable profits in future years. Management has assessed recovery of these assets with reference to the Group's medium-term forecasts.

3. Business segment information

The Group manages its business on a service division basis. At 31 March 2022, the Group had eight reportable segments and the information, as reported, is consistent with information presented to the Board of Directors, which is the Group's chief operating decision maker. Revenue including share of joint ventures and associates, operating profit before other items and operating profit margin before other items are the primary measures of performance that are reported to and reviewed by the Board.

The information presented for the year ended 31 March 2021 has been re-presented to reflect changes in the divisional structure, following the acquisition of Interserve, implemented during the year ended 31 March 2022. Mitie has reorganised its divisional structure into eight reportable segments: Business Services, Technical Services, Central Government & Defence (CG&D), Communities, Care & Custody, Landscapes, Waste and Spain. As part of the reorganisation, three new divisions have been formed related to businesses acquired with Interserve, namely Communities, CG&D and Spain. In addition, Mitie's PFI and Healthcare operations have been transferred to Communities from Technical Services and Business Services respectively. Care & Custody, Landscapes, Waste and Spain have been aggregated and categorised as Specialist Services, however, each of these businesses individually meets the IFRS 8 *Operating Segments* criteria for being a separate operating segment.

Segment assets and liabilities have not been disclosed as they are not reviewed by the Board.

Income statement information

	2022			Restated[1] 2021		
	Revenue[3] £m	**Operating profit/(loss) before other items[4] £m**	**Operating margin before other items[4] %**	Revenue[3] £m	Operating profit/(loss) before other items[2,4] £m	Operating margin before other items[2,4] %
Business Services	**1,522.0**	**107.5**	**7.1**	1,022.9	47.6	4.7
Technical Services	**972.9**	**30.0**	**3.1**	751.2	11.0	1.5
CG&D[3]	**669.4**	**38.4**	**5.7**	225.5	10.1	4.5
Communities[3]	**460.0**	**19.9**	**4.3**	265.0	16.6	6.3
Specialist Services	**372.5**	**32.5**	**8.7**	264.2	23.8	9.0
Care & Custody	***135.7***	***9.9***	***7.3***	*108.8*	*7.4*	*6.8*
Landscapes	***55.0***	***9.2***	***16.7***	*50.2*	*8.4*	*16.7*
Waste	***76.7***	***8.3***	***10.8***	*74.6*	*6.7*	*9.0*
Spain	***105.1***	***5.1***	***4.9***	*30.6*	*1.3*	*4.2*
Corporate centre	**–**	**(61.4)**	**–**	–	(50.3)	–
Total from continuing operations	**3,996.8**	**166.9**	**4.2**	2,528.8	58.8	2.3
Document Management	**25.5**	**2.8**	**11.0**	47.5	4.7	9.9
Nordics and Poland	**1.9**	**0.1**	**5.3**	13.0	0.4	3.1
Total from discontinued operations	**27.4**	**2.9**	**10.6**	60.5	5.1	8.4
Total Group	**4,024.2**	**169.8**	**4.2**	2,589.3	63.9	2.5

Notes:

1. Re-presented due to the change in divisional structure and to classify the Document Management business and operations in the Nordics and Poland as discontinued operations. See Note 5.
2. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
3. Revenue includes share of joint ventures and associates, of which £85.1m (2021: £27.2m) is included within CG&D and £8.4m (2021: £2.6m) within Communities.
4. Other items are as described in Note 4.
5. No single customer accounted for more than 10% of external revenue in the year ended 31 March 2022 or in the comparative year. The UK Government is not considered a single customer.

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

	2022			Restated[1,2] 2021		
	From continuing operations £m	**From discontinued operations £m**	**Total Group £m**	From continuing operations £m	From discontinued operations £m	Total Group £m
Operating profit before other items	**166.9**	**2.9**	**169.8**	58.8	5.1	63.9
Other items[3]	**(94.8)**	**17.0**	**(77.8)**	(54.8)	2.9	(51.9)
Net finance (costs)/income	**(19.8)**	**0.1**	**(19.7)**	(17.7)	0.3	(17.4)
Profit/(loss) before tax	**52.3**	**20.0**	**72.3**	(13.7)	8.3	(5.4)

Notes:

1. Re-presented to classify the Document Management business and operations in the Nordics and Poland as discontinued operations. See Note 5.
2. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
3. Other items are as described in Note 4.

Geographical segments

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

	2022			Restated[1] 2021		
	Revenue[2] £m	Operating profit before other items[4] £m	Operating margin before other items[4] %	Revenue[2] £m	Operating profit before other items[3,4] £m	Operating margin before other items[3,4] %
United Kingdom	**3,844.5**	**160.3**	**4.2**	2,446.9	56.3	2.3
Other countries	**152.3**	**6.6**	**4.3**	81.9	2.5	3.1
Continuing operations	**3,996.8**	**166.9**	**4.2**	2,528.8	58.8	2.3
United Kingdom	**25.5**	**2.8**	**11.0**	47.5	4.7	9.9
Other countries	**1.9**	**0.1**	**5.3**	13.0	0.4	3.1
Discontinued operations	**27.4**	**2.9**	**10.6**	60.5	5.1	8.4
Total Group	**4,024.2**	**169.8**	**4.2**	2,589.3	63.9	2.5

Notes:
1. Re-presented to classify the Document Management business and operations in the Nordics and Poland as discontinued operations. See Note 5.
2. Revenue includes share of joint ventures and associates.
3. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
4. Other items are as described in Note 4.

The carrying amount of non-current assets, excluding interest in joint ventures and associates, derivative financial instruments and deferred tax assets, by geographical segment is shown below:

	2022 £m	Restated[1,2] 2021 £m
United Kingdom	**700.3**	676.4
Other countries	**14.8**	11.0
Total	**715.1**	687.4

Notes:
1. The comparatives as at 31 March 2021 have been restated for measurement period adjustments in respect of the Interserve acquisition (refer to Note 2 and Note 20).
2. The comparatives as at 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.

Supplementary information

	2022				Restated[1] 2021			
	Depreciation of property, plant and equipment £m	Amortisation of intangible assets £m	Amortisation of contract assets £m	Other items[2] £m	Depreciation of property, plant and equipment £m	Amortisation of intangible assets[3] £m	Amortisation of contract assets £m	Other items[2] £m
Business Services	**1.9**	**2.3**	**–**	**17.6**	2.7	1.2	–	19.2
Technical Services	**0.8**	**0.7**	**1.0**	**21.1**	0.5	0.6	1.0	20.9
CG&D	**0.3**	**0.2**	**–**	**(3.5)**	0.1	–	–	5.2
Communities	**0.9**	**–**	**–**	**10.9**	0.1	–	–	1.5
Specialist Services	**2.5**	**–**	**0.7**	**3.1**	2.1	–	0.7	4.0
Care & Custody	***0.3***	**–**	***0.7***	***1.2***	*0.3*	–	*0.7*	*1.9*
Landscapes	***0.9***	**–**	**–**	***0.6***	*0.8*	–	–	*0.8*
Waste	***0.3***	**–**	**–**	***0.9***	*0.6*	–	–	*1.3*
Spain	***1.0***	**–**	**–**	***0.4***	*0.4*	–	–	–
Corporate centre	**35.0**	**24.0**	**–**	**45.6**	28.5	14.3	–	4.0
Continuing operations	**41.4**	**27.2**	**1.7**	**94.8**	34.0	16.1	1.7	54.8
Catering	**–**	**–**	**–**	**–**	–	–	–	1.6
Healthcare	**–**	**–**	**–**	**–**	–	–	–	(2.1)
Pest Control	**–**	**–**	**–**	**–**	–	–	–	(0.7)
Social Housing	**–**	**–**	**–**	**(4.0)**	–	–	–	(2.0)
Document Management	**0.2**	**–**	**–**	**(16.0)**	0.4	–	–	–
Nordics and Poland	**–**	**–**	**–**	**3.0**	–	–	–	0.3
Discontinued operations	**0.2**	**–**	**–**	**(17.0)**	0.4	–	–	(2.9)
Total Group	**41.6**	**27.2**	**1.7**	**77.8**	34.4	16.1	1.7	51.9

Notes:
1. Re-presented due to the change in divisional structure and to classify the Document Management business and operations in the Nordics and Poland as discontinued operations. See Note 5.
2. Other items are as described in Note 4.
3. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.

Disaggregated revenue

The Group disaggregates revenue from contracts with customers by sector (government and non-government) and by contract duration (contracts with a duration from inception of less than two years, and contracts with a duration from inception of more than two years). Management believes this best depicts how the nature, timing and amount of revenue and cash flows are affected by economic factors. The following table includes a reconciliation of disaggregated revenue with the Group's reportable segments.

2022

			Sector[1]	Contract duration for timing of revenue recognition		
	Government £m	Non-government £m	Total £m	Less than 2 years £m	More than 2 years £m	Total £m
Business Services	**686.6**	**835.4**	**1,522.0**	**682.0**	**840.0**	**1,522.0**
Technical Services	**275.5**	**697.4**	**972.9**	**79.2**	**893.7**	**972.9**
CG&D	**669.4**	**–**	**669.4**	**0.7**	**668.7**	**669.4**
Communities	**452.1**	**7.9**	**460.0**	**18.2**	**441.8**	**460.0**
Specialist Services	**259.5**	**113.0**	**372.5**	**85.0**	**287.5**	**372.5**
Care & Custody	***135.7***	**–**	***135.7***	***50.1***	***85.6***	***135.7***
Landscapes	***20.0***	***35.0***	***55.0***	***18.5***	***36.5***	***55.0***
Waste	***31.0***	***45.7***	***76.7***	***14.1***	***62.6***	***76.7***
Spain	***72.8***	***32.3***	***105.1***	***2.3***	***102.8***	***105.1***
Continuing operations including joint ventures and associates	**2,343.1**	**1,653.7**	**3,996.8**	**865.1**	**3,131.7**	**3,996.8**
Less: Joint ventures and associates[2]	**(93.5)**	**–**	**(93.5)**	**–**	**(93.5)**	**(93.5)**
Continuing operations excluding joint ventures and associates	**2,249.6**	**1,653.7**	**3,903.3**	**865.1**	**3,038.2**	**3,903.3**
Document Management	**1.7**	**23.8**	**25.5**	**0.1**	**25.4**	**25.5**
Nordics and Poland	**–**	**1.9**	**1.9**	**–**	**1.9**	**1.9**
Discontinued operations	**1.7**	**25.7**	**27.4**	**0.1**	**27.3**	**27.4**
Total Group excluding joint ventures and associates	**2,251.3**	**1,679.4**	**3,930.7**	**865.2**	**3,065.5**	**3,930.7**

Notes:

1. Sector is defined by the end customer on any contract, for example, if the Group is a subcontractor to a company repairing a government building, then the contract would be classified as government.
2. Revenue from joint ventures and associates includes £85.1m and £8.4m within the CG&D and Communities segments respectively.

2021[1]

			Sector[2]	Contract duration for timing of revenue recognition		
	Government £m	Non-government £m	Total £m	Less than 2 years £m	More than 2 years £m	Total £m
Business Services	271.7	751.2	1,022.9	247.3	775.6	1,022.9
Technical Services	193.4	557.8	751.2	69.3	681.9	751.2
CG&D	225.5	–	225.5	–	225.5	225.5
Communities	263.1	1.9	265.0	8.0	257.0	265.0
Specialist Services	168.8	95.4	264.2	80.9	183.3	264.2
Care & Custody	*108.8*	–	*108.8*	*23.6*	*85.2*	*108.8*
Landscapes	*13.1*	*37.1*	*50.2*	*15.4*	*34.8*	*50.2*
Waste	*25.4*	*49.2*	*74.6*	*12.9*	*61.7*	*74.6*
Spain	*21.5*	*9.1*	*30.6*	*29.0*	*1.6*	*30.6*
Continuing operations including joint ventures and associates	1,122.5	1,406.3	2,528.8	405.5	2,123.3	2,528.8
Less: Joint ventures and associates[3]	(29.8)	–	(29.8)	–	(29.8)	(29.8)
Continuing operations excluding joint ventures and associates	1,092.7	1,406.3	2,499.0	405.5	2,093.5	2,499.0
Document Management	3.4	44.1	47.5	0.2	47.3	47.5
Nordics and Poland	–	13.0	13.0	–	13.0	13.0
Discontinued operations	3.4	57.1	60.5	0.2	60.3	60.5
Total Group excluding joint ventures and associates	1,096.1	1,463.4	2,559.5	405.7	2,153.8	2,559.5

Notes:

1. Re-presented due to the change in divisional structure and to classify the Document Management business and operations in the Nordics and Poland as discontinued operations. See Note 5.
2. Sector is defined by the end customer on any contract, for example, if the Group is a subcontractor to a company repairing a government building, then the contract would be classified as government.
3. Revenue from joint ventures and associates includes £27.2m and £2.6m within the CG&D and Communities segments respectively.

Transaction price allocated to the remaining performance obligations

The table below shows the secured forward order book for each segment at the reporting date with the time bands of when the Group expects to recognise secured revenue on its contracts with customers. Secured revenue corresponds to all fixed work contracted with customers and excludes the impact of any anticipated contract extensions, and new contracts with customers.

	2022			2021[1]		
	Less than 1 year £m	**More than 1 year £m**	**Total secured revenue £m**	Less than 1 year £m	More than 1 year £m	Total secured revenue £m
Business Services	**638.8**	**805.5**	**1,444.3**	812.8	696.5	1,509.3
Technical Services	**443.9**	**779.9**	**1,223.8**	493.0	594.8	1,087.8
CG&D[2]	**346.3**	**502.8**	**849.1**	347.3	481.3	828.6
Communities[2]	**275.2**	**2,582.4**	**2,857.6**	252.6	2,852.1	3,104.7
Specialist Services	**194.7**	**484.4**	**679.1**	138.5	425.4	563.9
Care & Custody	***120.1***	***397.8***	***517.9***	*99.7*	*345.2*	*444.9*
Landscapes	***32.1***	***68.8***	***100.9***	*0.2*	*61.9*	*62.1*
Waste	***7.0***	***8.6***	***15.6***	*7.8*	*13.3*	*21.1*
Spain	***35.5***	***9.2***	***44.7***	*30.8*	*5.0*	*35.8*
Continuing operations and Total	**1,898.9**	**5,155.0**	**7,053.9**	2,044.2	5,050.1	7,094.3

Notes:

1. Re-presented due to the change in divisional structure and to classify the Document Management business and operations in the Nordics and Poland as discontinued operations. See Note 5.
2. Forward order book includes share of joint ventures and associates.

4. Other items

Other items are items of financial performance which management believes should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group.

The Group separately reports impairment of goodwill, impairment and amortisation of acquisition related intangible assets, acquisition and disposal related costs, gain or loss on business disposals, cost of restructuring programmes and other exceptional items as other items, together with their related tax effect:

2022					
Continuing operations	Restructure costs £m	Acquisition and disposal related costs £m	Gain on disposal £m	Other exceptional items £m	Total £m
Other items before tax	**(10.9)**	**(89.3)**	**–**	**5.4**	**(94.8)**
Tax[1]	**2.1**	**(3.1)**	**–**	**(1.0)**	**(2.0)**
Other items after tax	**(8.8)**	**(92.4)**	**–**	**4.4**	**(96.8)**
Discontinued operations					
Other items before tax	**–**	**4.0**	**13.0**	**–**	**17.0**
Tax	**–**	**–**	**–**	**–**	**–**
Other items after tax	**–**	**4.0**	**13.0**	**–**	**17.0**
Total Group					
Other items before tax	**(10.9)**	**(85.3)**	**13.0**	**5.4**	**(77.8)**
Tax[1]	**2.1**	**(3.1)**	**–**	**(1.0)**	**(2.0)**
Other items after tax	**(8.8)**	**(88.4)**	**13.0**	**4.4**	**(79.8)**

Note:

1. Includes £8.1m charge as a result of the increase in the rate of UK corporation tax from 1 April 2023. This primarily relates to the remeasurement of the deferred tax liability on the customer contracts and relationships intangible arising on the acquisition of Interserve. See Note 7.

2021[1]					
Continuing operations	Restructure costs £m	Acquisition and disposal related costs £m	Gain on disposal £m	Other exceptional items £m	Total £m
Other items before tax	(24.9)	(33.1)	–	3.2	(54.8)
Tax	4.8	3.3	–	(0.6)	7.5
Other items after tax	(20.1)	(29.8)	–	2.6	(47.3)
Discontinued operations					
Other items before tax	(0.3)	2.0	1.2	–	2.9
Tax	–	(0.4)	–	–	(0.4)
Other items after tax	(0.3)	1.6	1.2	–	2.5
Total Group					
Other items before tax	(25.2)	(31.1)	1.2	3.2	(51.9)
Tax	4.8	2.9	–	(0.6)	7.1
Other items after tax	(20.4)	(28.2)	1.2	2.6	(44.8)

Note:

1. The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations are re-presented within discontinued operations. Refer to Note 5.

Restructure costs

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

	2022			2021		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Group transformation programme:						
Project Forte[1]	**(10.2)**	**–**	**(10.2)**	(10.6)	–	(10.6)
Property[2]	**(0.4)**	**–**	**(0.4)**	(11.3)	–	(11.3)
Other transformation projects[3]	**(0.3)**	**–**	**(0.3)**	(3.0)	(0.3)	(3.3)
Restructure costs	**(10.9)**	**–**	**(10.9)**	(24.9)	(0.3)	(25.2)
Tax	**2.1**	**–**	**2.1**	4.8	–	4.8
Restructure costs net of taxation	**(8.8)**	**–**	**(8.8)**	(20.1)	(0.3)	(20.4)

Notes:

1. Project Forte was launched in 2019, primarily focusing on re-engineering the Technical Services business to modernise and optimise workflow processes. It will improve both the customer experience and the efficiency of the internal operations. Project Forte is also driving further Group-wide organisational consolidation, automation of processes and further offshoring of back office activities. Cumulative costs of £31.4m have been recognised within the consolidated income statement and classified as Other items on Project Forte since its launch in 2019, of which £6.5m were non-cash costs. The project is expected to be completed during the year ending 31 March 2023.
2. Programme to restructure the property portfolio to align with the new operating model, which involves the vacation of office space. Cumulative costs of £13.2m have been recognised within the consolidated income statement and classified as Other items since its launch in 2019, which predominantly relate to non-cash impairment charges in relation to right-of-use assets recognised on property leases. The programme is expected to be completed during the year ending 31 March 2023.
3. Other transformation projects focus on aligning the remaining areas of the business to the new operating model, including fixed-term staff costs related to simplifying the management structure.

The costs associated with the Group transformation programme include consultancy costs of £4.1m (2021: £3.6m), fixed-term staff costs of £5.2m (2021: £4.2m) to manage and implement the changes, a right-of-use asset impairment of £0.1m (2021: £6.3m), other onerous lease costs of £0.2m (2021: £2.6m) and intangible asset impairments of £1.3m (2021: £3.4m). In the year ended 31 March 2021, redundancy costs of £3.2m and property, plant and equipment impairments of £1.9m were also recognised.

Acquisition and disposal related costs

	2022			2021		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Interserve acquisition related costs[1]	**(2.4)**	**–**	**(2.4)**	(14.8)	–	(14.8)
Interserve integration costs[2]	**(16.2)**	**–**	**(16.2)**	(8.8)	–	(8.8)
Interserve completion accounts adjustment[3]	**(45.6)**	**–**	**(45.6)**	–	–	–
Interserve amortisation of acquisition related assets[4]	**(19.1)**	**–**	**(19.1)**	(6.7)	–	(6.7)
Total Interserve acquisition costs	**(83.3)**	**–**	**(83.3)**	(30.3)	–	(30.3)
Other amortisation of acquisition related intangible assets	**(2.8)**	**–**	**(2.8)**	(2.2)	–	(2.2)
Other transaction related projects	**–**	**–**	**–**	(0.6)	–	(0.6)
Other acquisition transaction costs[5]	**(3.2)**	**–**	**(3.2)**	–	–	–
Other disposal income[6]	**–**	**4.0**	**4.0**	–	2.0	2.0
Acquisition and disposal costs	**(89.3)**	**4.0**	**(85.3)**	(33.1)	2.0	(31.1)
Tax	**(3.1)**	**–**	**(3.1)**	3.3	(0.4)	2.9
Acquisition and disposal costs net of taxation	**(92.4)**	**4.0**	**(88.4)**	(29.8)	1.6	(28.2)

Notes:

1. Comprises £2.5m of professional fees and an additional provision in respect of parent company guarantees of £0.6m, partially offset by the release of certain pre-acquisition net payables amounts in respect of Interserve of £0.7m.
2. Comprises £5.3m of professional fees, staff related integration costs of £3.1m, dual running costs related to the transitional service arrangement of £1.9m, IT integration costs of £1.6m, redundancy costs of £1.8m, software impairments of £1.4m, rebranding costs of £0.6m, other property related costs of £0.2m, right-of-use asset impairments of £0.1m and other integration costs of £0.2m.
3. At 31 March 2021 other receivables included £52.7m (restated) which represented management's best estimate of the amount expected to be recovered by the Group through the completion accounts and other SPA mechanisms on the Interserve acquisition. At 31 March 2021 it was disclosed that the outcome of the completion accounts process was inherently uncertain, given that the SPA terms related to the completion accounts mechanism were complex, and the completion accounts would be the subject of a commercial negotiation and, in the absence of agreement, an expert determination process, and the final amount agreed could therefore be materially different from the estimate. The completion accounts process (and expert determination) has since been concluded. Following the expert's determination, for which the expert sought a legal opinion in relation to the interpretation of the complex SPA requirements, an agreement was reached for the seller to pay £7.1m to the Group. The resulting £45.6m reduction in the related receivable has been recognised in the consolidated income statement and classified as Other items, given that the Measurement Period had ended. See Note 2.
4. Includes £16.7m amortisation on customer contracts and relationships acquired with Interserve and £2.4m related to the amortisation of customer contracts and relationship assets arising on the acquisition of Landmarc Support Services Limited which has been equity accounted. See Notes 11 and 12.
5. Other acquisition transaction costs for the year ended 31 March 2022 comprise £1.7m of professional fees, £0.3m of fixed-term staff costs, £0.1m of other acquisition costs, £0.1m of redundancy costs relating to acquisitions other than Interserve and £1.0m of performance-based employment-linked earnouts arising from acquisitions. Refer to Note 20.
6. Other disposal income relates to rectification works on property maintenance contracts associated with the disposal of the Social Housing business of £4.0m (2021: £2.0m).

Gain on disposal

A net gain on disposal of businesses of £13.0m (2021: £1.2m) has been recognised in Other items. See Note 5 for further details.

Other exceptional items

Other exceptional items included in operating profit are analysed below:

	2022			2021		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Settlement of contractual disputes[1]	**9.8**	**–**	**9.8**	–	–	–
Net settlement of legal dispute	**–**	**–**	**–**	3.7	–	3.7
Digital supplier platform[2]	**(4.4)**	**–**	**(4.4)**	–	–	–
Other exceptional items	**–**	**–**	**–**	(0.5)	–	(0.5)
Other exceptional items	**5.4**	**–**	**5.4**	3.2	–	3.2
Tax	**(1.0)**	**–**	**(1.0)**	(0.6)	–	(0.6)
Other exceptional items net of taxation	**4.4**	**–**	**4.4**	2.6	–	2.6

Notes:

1. For the year ended 31 March 2022, as a result of commercial negotiations with a certain customer, pre-acquisition liabilities of £9.8m have been de-recognised with respect to Interserve. The resulting gain of £9.8m has been recognised in the consolidated income statement as Other items, given the Measurement Period had ended.
2. Costs of £4.4m incurred in the implementation of a new digital supplier platform resulting in a step change in the Group's supply chain management capabilities. This implementation, which is transformational in nature, is expected to be completed during the year ending 31 March 2023 and the cumulative one-off cash cost of the implementation is expected to be £7.5m.

5. Discontinued operations and disposal of subsidiaries

On 1 June 2021, the Group completed the sale of Mitie Norge AS, Mitie Sverige AB and Mitie Polska Sp z.o.o (together, the Nordics and Poland operations). On 30 September 2021, the Group completed the sale of Mitie Business Services Limited and Mitie Business Services UK Limited (together, the Document Management business). The results of the Nordics and Poland operations and the Document Management business have been classified as discontinued operations at 31 March 2022 and comparative information has been re-presented.

The Group recognised a net loss on disposal of £3.0m in relation to the disposal of the Nordics and Poland operations and a net gain on disposal of £16.0m in relation to the disposal of the Document Management business.

	2022				2021[1]
	Nordics and Poland £m	Document Management £m	Social Housing £m	Total £m	Total £m
Total consideration	**0.3**	**36.7**	**–**	**37.0**	(2.6)
Net assets disposed[2]	**(2.9)**	**(19.7)**	**–**	**(22.6)**	–
Recycling of foreign exchange loss in reserves	**(0.3)**	**–**	**–**	**(0.3)**	–
Transaction costs	**(0.1)**	**(1.0)**	**–**	**(1.1)**	–
Release of customer liability	**–**	**–**	**–**	**–**	1.7
Release of indemnity provision	**–**	**–**	**–**	**–**	2.1
Net loss/(gain) on disposal of discontinued operations as reported in other items (see Note 4)	**(3.0)**	**16.0**	**–**	**13.0**	1.2
Profit before tax before other items	**0.1**	**2.9**	**–**	**3.0**	5.4
Other items (see Note 4)	**–**	**–**	**4.0**	**4.0**	1.7
Profit before tax	**0.1**	**2.9**	**4.0**	**7.0**	7.1
Tax	**–**	**(0.6)**	**–**	**(0.6)**	(1.1)
Profit for the period after tax	**0.1**	**2.3**	**4.0**	**6.4**	6.0
Total (loss)/profit for the year	**(2.9)**	**18.3**	**4.0**	**19.4**	7.2

Notes:

1. The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations have been re-presented.
2. Net assets disposed in the Nordics and Poland operations include goodwill of £1.4m and cash balances of £1.5m. Net assets disposed in the Document Management business include goodwill of £14.4m and cash balances of £4.6m.

Income statement of discontinued operations

2022

	Nordics and Poland			Document Management			Social Housing	Total discontinued operations		
	Before other items £m	Other items[1] £m	Total £m	Before other items £m	Other items[1] £m	Total £m	Other items[1] and Total £m	Before other items £m	Other items[1] £m	Total £m
Revenue	1.9	–	1.9	25.5	–	25.5	–	27.4	–	27.4
Cost of sales	(1.7)	–	(1.7)	(21.6)	–	(21.6)	–	(23.3)	–	(23.3)
Gross profit	0.2	–	0.2	3.9	–	3.9	–	4.1	–	4.1
Administrative expenses	(0.1)	–	(0.1)	(1.1)	–	(1.1)	4.0	(1.2)	4.0	2.8
Operating profit	0.1	–	0.1	2.8	–	2.8	4.0	2.9	4.0	6.9
Net finance income	–	–	–	0.1	–	0.1	–	0.1	–	0.1
Profit before tax	0.1	–	0.1	2.9	–	2.9	4.0	3.0	4.0	7.0
Tax	–	–	–	(0.6)	–	(0.6)	–	(0.6)	–	(0.6)
Profit for the period	0.1	–	0.1	2.3	–	2.3	4.0	2.4	4.0	6.4
Net (loss)/gain on disposal	–	(3.0)	(3.0)	–	16.0	16.0	–	–	13.0	13.0
Total profit/(loss) for the period	0.1	(3.0)	(2.9)	2.3	16.0	18.3	4.0	2.4	17.0	19.4

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

2021

	Nordics and Poland			Document Management	Catering	Pest Control	Social Housing	Healthcare	Total discontinued operations		
	Before other items £m	Other items[1] £m	Total £m	Before other items and total £m	Other items[1] and total £m	Other items[1] and total £m	Other items[1] and total £m	Other items[1] and total £m	Before other items £m	Other items[1] £m	Total £m
Revenue	13.0	–	13.0	47.5	–	–	–	–	60.5	–	60.5
Cost of sales	(11.8)	–	(11.8)	(40.4)	–	–	–	–	(52.2)	–	(52.2)
Gross profit	1.2	–	1.2	7.1	–	–	–	–	8.3	–	8.3
Administrative expenses	(0.8)	(0.3)	(1.1)	(2.4)	–	–	2.0	–	(3.2)	1.7	(1.5)
Operating profit	0.4	(0.3)	0.1	4.7	–	–	2.0	–	5.1	1.7	6.8
Net finance income	–	–	–	0.3	–	–	–	–	0.3	-	0.3
Profit before tax	0.4	(0.3)	0.1	5.0	–	–	2.0	–	5.4	1.7	7.1
Tax	–	–	–	(0.7)	–	–	(0.4)	–	(0.7)	(0.4)	(1.1)
Profit/(loss) for the period	0.4	(0.3)	0.1	4.3	–	–	1.6	–	4.7	1.3	6.0
Net (loss)/gain on disposal	–	–	–	–	(1.6)	0.7	–	2.1	–	1.2	1.2
Total profit/(loss) for the period	0.4	(0.3)	0.1	4.3	(1.6)	0.7	1.6	2.1	4.7	2.5	7.2

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

Cash flows from discontinued operations

	2022		
	Nordics and Poland £m	Document Management £m	Total £m
Cash consideration	**0.3**	**36.7**	**37.0**
Cash disposed	**(1.5)**	**(4.6)**	**(6.1)**
Cash transaction costs	**–**	**(1.0)**	**(1.0)**
Disposal proceeds net of cash disposed and transaction costs	**(1.2)**	**31.1**	**29.9**

The following table shows cashflows from the discontinued operations arising during the ordinary course of business up to the date of disposal.

	2022		
	Nordics and Poland £m	Document Management £m	Total £m
Net cash (used in)/generated from operating activities	**(0.2)**	**0.4**	**0.2**
Net cash used in financing activities	**–**	**(0.1)**	**(0.1)**
(Decrease)/increase in cash and cash equivalents	**(0.2)**	**0.3**	**0.1**

6. Employees

The average number of people employed during the financial year was:

Number of people[1]	2022	2021[2,3]
Technical Services	**8,668**	7,502
Business Services	**38,501**	33,197
CG&D	**4,858**	1,818
Communities	**7,714**	5,015
Specialist Services	**7,531**	4,211
Care & Custody	***2,190***	*1,999*
Landscapes	***730***	*795*
Waste	***260***	*247*
Spain	***4,351***	*1,170*
Corporate centre	**130**	129
Continuing operations	**67,402**	51,872
Nordics and Poland	**17**	124
Document Management	**659**	947
Discontinued operations	**676**	1,071
Total Group	**68,078**	52,943

Notes:
1. Average number of people employed from the date of acquisition of businesses.
2. The comparative for the year ended 31 March 2021 has been re-presented as the Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022.
3. The comparatives for the year ended 31 March 2021 have been re-presented to reflect changes in management reporting implemented during the year. See Note 3 for details of the revised divisional structure.

The total employment costs, including Directors, were:

Aggregate remuneration comprised:	2022 £m	2021 £m
Wages and salaries[1]	**1,928.4**	1,323.7
Social security costs	**143.7**	108.1
Other pension costs	**40.8**	31.5
Share-based payments	**18.6**	9.5
Total	**2,131.5**	1,472.8

Note:
1. For the year ended 31 March 2022, wages and salaries have been reduced by a net amount of £9.5m (2021: £49.7m), which represents UK Government grants received under the Coronavirus Job Retention Scheme of £9.5m (2021: £53.8m), less repayments back to the UK Government of £nil (2021: £4.1m) relating to furloughed colleagues employed directly at Mitie's own operations.

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

	2022 £m	2021 £m
Short term benefits	**3.6**	1.7
Pension and other employment benefits	**0.2**	0.2
Share-based payments	**5.5**	2.3
Total	**9.3**	4.2

7. Tax

Total Group	2022 £m	Restated[1] 2021 £m
Current tax	**19.4**	1.3
Deferred tax (Note 16)	**2.2**	0.2
Tax charge for the year	**21.6**	1.5
Continuing operations	**21.0**	0.4
Discontinued operations	**0.6**	1.1
Tax charge for the year	**21.6**	1.5

Note:
1. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.

Corporation tax is calculated at 19% (2021: 19%) of the estimated taxable profit for the year. A reconciliation of the tax charge to the elements of profit before tax per the consolidated income statement is as follows:

	2022			Restated[1] 2021		
Total Group	Before other items £m	Other items[2] £m	Total £m	Before other items £m	Other items[2] £m	Total £m
Profit/(loss) before tax	**150.1**	**(77.8)**	**72.3**	46.5	(51.9)	(5.4)
Tax at UK rate of 19% (2021: 19%)	**28.5**	**(14.8)**	**13.7**	8.8	(9.9)	(1.1)
Reconciling tax charges for:						
Non-tax deductible charges	–	**9.0**	**9.0**	0.9	2.6	3.5
Share-based payments	**(0.6)**	–	**(0.6)**	(0.2)	0.2	–
Gain on disposal of businesses	–	**(2.5)**	**(2.5)**	–	(0.2)	(0.2)
Impact of equity accounted investments	**(1.7)**	**0.5**	**(1.2)**	(0.5)	0.2	(0.3)
Losses not recognised	**2.2**	–	**2.2**	0.2	–	0.2
Overseas tax rates	**(0.5)**	–	**(0.5)**	(0.2)	–	(0.2)
Impact of change in statutory tax rates	**(9.0)**	**8.1**	**(0.9)**	–	–	–
Prior year adjustments	**0.7**	**1.7**	**2.4**	(0.4)	–	(0.4)
Tax charge/(credit) for the year	**19.6**	**2.0**	**21.6**	8.6	(7.1)	1.5
Effective tax rate for the year	**13.1%**	**(2.6%)**	**29.9%**	18.5%	13.7%	(27.8%)

Notes:
1. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
2. Other items are as described in Note 4.

In addition to the amounts charged to the consolidated income statement, tax relating to remeasurements of retirement benefit liabilities amounting to a £3.8m charge (2021: £1.0m credit) and a £0.1m credit relating to hedged items (2021: £0.1m credit) have been taken directly to the statement of comprehensive income. A £0.2m charge related to share options (2021: £nil) has been taken directly to equity.

The UK corporation tax rate will increase from 19% to 25% from 1 April 2023. This change has been substantively enacted at the balance sheet date and is therefore incorporated into the amounts contained in this report.

8. Dividends

	2022 Pence per share	2022 £m	2021 Pence per share	2021 £m
Amounts recognised as distributions in the year:				
Final dividend for the prior year	**–**	**–**	–	–
Interim dividend for the current year	**0.4**	**5.7**	–	–
	0.4	**5.7**	–	–
Proposed final dividend for the year ended 31 March	**1.4**	**19.5**	–	–

Dividends are recognised as distributions in the year in which they are paid. Subject to approval at the Annual General Meeting on 26 July 2022, the final dividend for the year ended 31 March 2022 will be paid on 5 August 2022 to holders on the register on 24 June 2022. The ordinary shares will be quoted ex-dividend on 23 June 2022.

9. Earnings per share

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

	2022			Restated[1,2] 2021		
	From continuing operations £m	From discontinued operations £m	Total Group £m	From continuing operations £m	From discontinued operations £m	Total Group £m
Net profit before other items attributable to owners of the parent	**128.1**	**2.4**	**130.5**	33.2	4.7	37.9
Other items net of tax[3]	**(96.8)**	**17.0**	**(79.8)**	(47.3)	2.5	(44.8)
Net profit/(loss) attributable to owners of the parent	**31.3**	**19.4**	**50.7**	(14.1)	7.2	(6.9)

Notes:
1. The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations for the year ended 31 March 2021 have been re-presented within discontinued operations. Refer to Note 5.
2. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
3. Other items are as described in Note 4.

Number of shares	2022 million	2021 million
Weighted average number of ordinary shares for the purpose of basic EPS[1]	**1,395.4**	1,082.5
Effect of dilutive potential ordinary shares[2]	**143.2**	–
Weighted average number of ordinary shares for the purpose of diluted EPS[1,2]	**1,538.6**	1,082.5

Notes:
1. The weighted average number of ordinary shares in issue during the year excludes those accounted for in the own shares reserve.
2. The dilutive potential ordinary shares relate to instruments that could potentially dilute basic earnings per share in the future, such as share-based payments. At 31 March 2022, no shares (2021: 70.2 million shares) have been excluded from the diluted weighted average number of ordinary shares. The diluted loss or earnings per share uses the weighted average number of shares adjusted for potentially dilutive ordinary shares, unless it has the effect of decreasing the loss, or increasing the earnings, per share from continuing operations. The Group made a loss from continuing operations in the year ended 31 March 2021, hence the diluted loss per share needs to be the same amount as the basic loss per share.

	2022			Restated[1,2] 2021		
	From continuing operations pence per share	From discontinued operations pence per share	Total Group pence per share	From continuing operations pence per share	From discontinued operations pence per share	Total Group pence per share
Basic earnings before other items[3]	**9.2**	**0.2**	**9.4**	3.1	0.4	3.5
Basic earnings/(loss)	**2.2**	**1.4**	**3.6**	(1.3)	0.7	(0.6)
Diluted earnings before other items[3]	**8.3**	**0.2**	**8.5**	3.1	0.4	3.5
Diluted earnings/(loss)	**2.0**	**1.3**	**3.3**	(1.3)	0.7	(0.6)

Notes:
1. The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations for the year ended 31 March 2021 have been re-presented within discontinued operations. Refer to Note 5.
2. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
3. Other items are as described in Note 4.

10. Goodwill

	£m
Cost	
At 1 April 2020	311.4
Arising on business combinations[1]	15.9
At 31 March 2021[1]	327.3
Arising on business combinations[2]	22.3
Disposal of businesses[3]	(15.8)
At 31 March 2022	**333.8**
Accumulated impairment losses	
At 1 April 2020	32.5
At 31 March 2021	32.5
At 31 March 2022	**32.5**
Net book value	
At 31 March 2022	**301.3**
At 31 March 2021[1]	294.8

Notes:

1. The comparatives as at 31 March 2021 have been restated for measurement period adjustments in respect of the Interserve acquisition, with the goodwill arising on the Interserve acquisition increasing from £3.3m to £15.9m. Refer to Note 2 and Note 20.
2. The Group acquired DAEL, Rock, Biotecture and Esoteric during the year ended 31 March 2022. Refer to Note 20.
3. The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The goodwill disposed was £14.4m and £1.4m respectively. Refer to Note 5.

Goodwill impairment testing

Mitie has reorganised its business during the year ended 31 March 2022 and the determination of CGUs has been updated accordingly to meet the criteria laid out by IAS 36 *Impairment of Assets*. The information presented as at 31 March 2021 has been re-presented accordingly. Technical Services, Business Services, Communities, Landscapes and Central Government & Defence (CG&D) have been determined to be relevant CGUs for the year ended 31 March 2022, where goodwill has been attributed.

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The Group tests goodwill at least annually for impairment or more frequently if there are indicators that goodwill may be impaired.

A summary of the goodwill balances and the discount rates used to assess the forecast cash flows from each CGU are as follows:

	Pre-tax discount rate %	Goodwill 2022 £m	Goodwill[1] 2021 £m
Technical Services	**9.6%**	**105.9**	86.5
Business Services	**9.9%**	**105.1**	118.8
Communities	**10.3%**	**81.0**	81.0
Landscapes	**10.5%**	**6.6**	5.8
CG&D	**10.4%**	**2.7**	2.7
Total		**301.3**	294.8

Notes:

1. The comparatives as at 31 March 2021 have been restated as a result of the reorganisation of Mitie's business and for measurement period adjustments in respect of the Interserve acquisition, with the goodwill arising on the Interserve acquisition increasing from £3.3m to £15.9m. Refer to Note 2 and Note 20.
2. Mitie's PFI and Healthcare operations have moved to Communities from Technical Services and Business Services respectively, with goodwill of £60.9m and £8.9m reallocated respectively. In addition, of the carrying value of goodwill allocated to Business and Industry (B&I) CGU, £1.2m and £0.8m has been allocated to the Business Services and Technical Services CGUs' respectively. The comparatives as at 31 March 2021 have been restated accordingly.

At 31 March 2021 under the previous organisational structure, the goodwill would have been allocated as follows:

	Goodwill[1] 2021 £m
Technical Services	146.6
Business Services	126.5
Landscapes	5.8
CG&D	2.7
Communities	11.2
B&I	2.0
Total	294.8

Note:

1. The comparatives as at 31 March 2021 have been restated for measurement period adjustments in respect of the Interserve acquisition, with the goodwill arising on the Interserve acquisition increasing from £3.3m to £15.9m. Refer to Note 2 and Note 20.

Key assumptions

The recoverable amounts for each CGU are based on value-in-use which is derived from discounted cash flow calculations. The key assumptions applied in value-in-use calculations are those regarding forecast operating profits, growth rates and discount rates.

Forecast operating profits

For all CGUs, the Group prepared cash flow projections derived from the most recent forecasts for the year ending 31 March 2023 and the Group's medium-term strategic plan to 31 March 2027. Forecast revenue and direct costs are based on past performance and expectations of future changes in the market, operating model and cost base including the impact of inflation.

Growth rates and terminal values

Medium-term revenue growth rates applied to the value-in-use calculations of each CGU reflect management's strategy for a period of five years. Terminal values were determined using a long-term growth assumption of 2.0% (2021: 2.0%).

Discount rates

The pre-tax discount rates used to assess the forecast cash flows from CGUs are derived from the Group's post-tax weighted average cost of capital, which was 7.8% as at 31 March 2022 (2021: 9.1%). These rates are reviewed annually by external advisors and adjusted for the risks specific to the business being assessed and the market in which the CGU operates. All CGUs have the same access to the Group's treasury functions and borrowing lines to fund their operations.

Sensitivity analysis

A sensitivity analysis has been performed and management has concluded that no reasonably foreseeable change in the key assumptions would result in an impairment of the goodwill of any of the Group's CGUs. A further sensitivity analysis has also been performed and management has concluded that even in the downside scenario, no impairments would be required.

11. Other intangible assets

	Acquisition related: Customer contracts and relationships £m	Acquisition related: Other £m	Total acquisition related £m	Restated[1] Software and development expenditure £m	Restated[1] Total £m
Cost					
At 1 April 2020	101.9	10.9	**112.8**	62.4	**175.2**
Additions	–	–	**–**	14.1	**14.1**
Arising on business combinations	219.3	3.4	**222.7**	–	**222.7**
Disposals	–	–	**–**	(14.5)	**(14.5)**
Effect of movements in exchange rates	(0.1)	–	**(0.1)**	(0.1)	**(0.2)**
At 31 March 2021	321.1	14.3	**335.4**	61.9	**397.3**
Additions	–	–	**–**	20.2	**20.2**
Arising on business combinations	8.4	–	**8.4**	–	**8.4**
Disposals	–	–	**–**	(8.8)	**(8.8)**
Reclassifications	–	(3.4)	**(3.4)**	3.4	**–**
Effect of movements in exchange rates	–	–	**–**	0.1	**0.1**
At 31 March 2022	329.5	10.9	**340.4**	76.8	**417.2**
Amortisation and impairment					
At 1 April 2020	87.0	10.5	**97.5**	32.8	**130.3**
Charge for the year	7.6	0.1	**7.7**	8.4	**16.1**
Impairments	–	–	**–**	4.4	**4.4**
Disposals	–	–	**–**	(14.4)	**(14.4)**
Effect of movements in exchange rates	(0.1)	–	**(0.1)**	–	**(0.1)**
At 31 March 2021	94.5	10.6	**105.1**	31.2	**136.3**
Charge for the year	19.4	0.1	**19.5**	7.7	**27.2**
Impairments	–	–	**–**	3.5	**3.5**
Disposals	–	–	**–**	(8.8)	**(8.8)**
Effect of movements in exchange rates	–	–	**–**	0.1	**0.1**
At 31 March 2022	113.9	10.7	**124.6**	33.7	**158.3**
Net book value					
At 31 March 2022	215.6	0.2	**215.8**	43.1	**258.9**
At 31 March 2021	226.6	3.7	**230.3**	30.7	**261.0**

Note:

1. The comparatives for software and development expenditure as at 1 April 2020, for the year ended 31 March 2021 and as at 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.

Customer contracts and relationships are amortised over their useful lives based on the period of time over which they are anticipated to generate benefits. These currently range over an average of nine years. Other acquisition related intangibles include acquired software and technology which are amortised over their useful lives which currently range from three to ten years.

Following a review of the carrying amount of intangible assets, an impairment of £3.5m has been recorded (2021: £4.4m), of which £2.7m (2021: £3.4m) is included within Other items. See Note 4.

12. Interests in joint ventures and associates

The Group has interests in joint ventures and associates, which are all equity accounted entities. Landmarc Support Services Limited (Landmarc UK) and Sussex Estates and Facilities LLP (Sussex) are equity accounted entities that were material to the Group. All equity accounted entities provide facilities management services.

Interests in joint ventures and associates

	Ownership %	Nature of relationship	2022 £m	2021 £m
Landmarc UK	51	Joint venture	**10.5**	9.9
Sussex	35	Associate	**0.7**	0.5
Other		Joint ventures	**0.7**	0.6
At 31 March			**11.9**	11.0

	Landmarc UK[1] £m	Sussex[1] £m	Other[1] £m	Group share of joint ventures and associates 2022 £m	Group share of joint ventures and associates 2021 £m
At 1 April	9.9	0.5	0.6	**11.0**	–
Arising on business combinations	–	–	–	–	10.7
Share of profit before other items	5.5	1.0	0.1	**6.6**	1.9
Share of profit - Other items[2]	(2.4)	–	–	**(2.4)**	(1.2)
Share of other comprehensive income	0.7	–	–	**0.7**	0.4
Dividends	(3.2)	(0.8)	–	**(4.0)**	(0.8)
At 31 March	10.5	0.7	0.7	**11.9**	11.0

Notes:

1. Net assets/results of the entity multiplied by the respective proportion of the Group's ownership.
2. Share of profit - Other items relates to the amortisation of customer contracts and relationships arising on business combinations. See Note 4.

Summarised income statement (100%)

	2022				2021			
	Landmarc UK £m	Sussex £m	Other £m	Total £m	Landmarc UK £m	Sussex £m	Other £m	Total £m
Revenue	164.6	24.0	2.2	**190.8**	50.6	7.3	2.8	60.7
Share of revenue of joint ventures and associates	*84.0*	*8.4*	*1.1*	***93.5***	*25.8*	*2.6*	*1.4*	*29.8*
Depreciation and amortisation[1]	(0.9)	–	–	**(0.9)**	(0.3)	–	–	(0.3)
Operating profit	13.3	2.8	0.2	**16.3**	3.8	0.7	0.1	4.6
Finance income	0.1	–	–	**0.1**	–	–	–	–
Tax	(2.5)	–	–	**(2.5)**	(0.7)	–	–	(0.7)
Profit for the year	10.9	2.8	0.2	**13.9**	3.1	0.7	0.1	3.9
Other comprehensive income	1.3	–	–	**1.3**	0.9	–	–	0.9
Total comprehensive income (100%)	12.2	2.8	0.2	**15.2**	4.0	0.7	0.1	4.8

Note:

1. Excluding the amortisation of customer contracts and relationships arising on business combinations. The Group's share is £2.4m (2021: £1.2m) included within Other items. See Note 4.

Summarised balance sheet (100%)

	2022				2021			
	Landmarc UK £m	**Sussex £m**	**Other £m**	**Total £m**	Landmarc UK £m	Sussex £m	Other £m	Total £m
Non-current assets[1]	10.7	–	–	**10.7**	12.5	–	–	12.5
Current assets	41.3	8.9	5.1	**55.3**	29.0	6.3	7.5	42.8
Current liabilities	(31.4)	(7.0)	(3.6)	**(42.0)**	(22.1)	(4.8)	(6.3)	(33.2)
Net assets (100%)	20.6	1.9	1.5	**24.0**	19.4	1.5	1.2	22.1
Share of net assets	*10.5*	*0.7*	*0.7*	***11.9***	*9.9*	*0.5*	*0.6*	*11.0*
The above includes the following:								
Cash and cash equivalents (100%)	28.7	7.4	0.4	**36.5**	24.1	4.6	0.3	29.0

Note:

1. Non-current assets include customer contracts and relationships recognised as a result of the acquisition of Interserve. The Group's 51% share of the customer relationships was £3.6m as at 30 November 2020, which has been fully amortised at 31 March 2022 following an amortisation charge of £2.4m (2021: £1.2m) recorded in Other items. See Note 4.

The Group is not aware of any material commitments in respect of its interests in joint ventures and associates. Landmarc Gulf Consultancy Management LLC, an immaterial joint venture, had provided a guarantee and indemnity in the ordinary course of business in respect of performance, issued by a financial institution on its behalf, amounting to £1.5m (AED 7.4m) as at 31 March 2021 and this was released during the year ended 31 March 2022. There are no significant restrictions on the ability to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group.

13. Trade and other receivables

	2022 £m	Restated[1] 2021 £m
Trade receivables	**386.3**	362.4
Accrued income	**239.7**	208.7
Prepayments	**30.4**	27.0
Other receivables[2]	**55.4**	89.0
Total	**711.8**	687.1
Included in current assets	**704.0**	678.8
Included in non-current assets	**7.8**	8.3
Total	**711.8**	687.1

Notes:

1. The comparatives as at 31 March 2021 have been restated for measurement period adjustments in respect of the Interserve acquisition. Refer to Note 2 and Note 20.
2. At 31 March 2022 other receivables included the £6.0m (2021 restated: £52.7m) which represented management's best estimate of the amount expected to be recovered by the Group through the completion accounts and other SPA mechanisms on the Interserve acquisition. At 31 March 2021 it was disclosed that the outcome of the completion accounts process was inherently uncertain, given that the SPA terms related to the completion accounts mechanism were complex, and the completion accounts would be the subject of a commercial negotiation and, in the absence of agreement, an expert determination process, and the final amount agreed could therefore be materially different from the estimate. The completion accounts process, including commercial negotiations and expert determination, has since been concluded. Following the expert's determination, for which the expert sought a legal opinion in relation to the interpretation of the complex SPA requirements, an agreement was reached for the seller to pay £7.1m to the Group, of which £1.1m was settled during the second half of the year ended 31 March 2022 and £6.0m was settled in May 2022. See Note 20.

Trade receivables at 31 March 2022 represent 28 days credit on sales (2021: 30 days).

The Group makes use of a non-recourse customer invoice discounting facility under which certain trade receivable balances are sold to the Group's relationship banks. As these trade receivables are sold without recourse, the Group has derecognised them, and so they are not included within trade receivables. The Group has reduced the amount of invoice discounting from £51.7m as at 31 March 2021 to £44.5m as at 31 March 2022.

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

14. Trade and other payables

	2022 £m	Restated[1] 2021 £m
Trade payables	**134.8**	131.4
Other taxes and social security	**117.7**	122.6
Other payables[2]	**57.2**	32.7
Accruals	**534.3**	415.6
Total	**844.0**	702.3
Included in current liabilities	**841.2**	701.8
Included in non-current liabilities[3]	**2.8**	0.5
Total	**844.0**	702.3

Notes:

1. The comparatives as at 31 March 2021 have been restated for measurement period adjustments in respect of the Interserve acquisition. Refer to Note 2 and Note 20.
2. As at 31 March 2022, £20.0m cash (2021: £nil) was held across the Group's bank accounts in respect of the CID facility, where cash collected from the Group's customers was held on trust for the CID facility provider. This cash was subsequently remitted to the CID facility provider by 5 April 2022 and is included within current other payables at 31 March 2022.
3. Non-current other payables mainly comprise contingent consideration and performance-based employment-linked earnouts arising on the acquisitions of Rock, Esoteric and Biotecture. Refer to Note 20.

Trade creditors at 31 March 2022 represent 23 days credit on trade purchases (2021 restated: 26 days).

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

15. Provisions

	Contract specific costs £m	Insurance reserve £m	Pension £m	Dilapidations £m	Restructuring £m	Other £m	Total £m
At 31 March 2021 (as reported)	54.1	27.9	23.8	5.9	2.2	2.5	**116.4**
Measurement period adjustments[1]	6.4	0.7	–	(0.3)	–	0.4	**7.2**
At 31 March 2021[1]	60.5	28.6	23.8	5.6	2.2	2.9	**123.6**
Additional provisions in the year	6.3	7.1	–	1.3	0.6	0.6	**15.9**
Released to the income statement	(1.0)	–	–	(0.1)	–	–	**(1.1)**
Utilised in the year	(9.5)	(9.7)	(0.1)	(0.3)	(0.9)	(0.9)	**(21.4)**
At 31 March 2022	56.3	26.0	23.7	6.5	1.9	2.6	**117.0**
Included in current liabilities	19.3	7.8	23.7	0.9	0.4	2.6	**54.7**
Included in non-current liabilities	37.0	18.2	–	5.6	1.5	–	**62.3**
Total	56.3	26.0	23.7	6.5	1.9	2.6	**117.0**

Note:

1. The comparatives as at 31 March 2021 have been restated for measurement period adjustments in respect of the Interserve acquisition. Refer to Note 2 and Note 20.

Contract specific costs

Contract specific costs provision of £56.3m (2021 restated: £60.5m) comprise onerous contract provisions of £13.2m (2021 restated: £17.6m) and other contract specific provisions of £43.1m (2021 restated: £42.9m).

Other onerous contract provisions are made where the forecast direct costs of completing a contract exceed the forecast income from the contract. The main contracts these provisions relate to are certain long-term PFI contracts. It is expected that the majority of these provisions will be utilised over a number of years. Given the long-term nature of these contracts, the calculation of onerous contract provisions is a key source of estimation uncertainty. Key judgements used in the calculation of the provision and sensitivity to change in assumptions are set out in Note 2. The Group utilised £5.0m in the year with respect to onerous contract provisions.

Contract specific provisions have been made primarily to cover remedial and rectification costs required to meet clients' contract terms, and include a £14.7m provision relating to a significant liability risk on a certain contract which is subject to dispute, a £6.4m provision relating to a commercial settlement dispute for a certain contract, and £3.9m relating to costs of rectification works associated with certain property maintenance contracts of the discontinued Social Housing business. The value of these provisions reflects the single most likely outcome and is expected to be utilised over a maximum period of eight years. The remaining provision relates to other potential commercial claims and rectification work for other contracts. During the year the Group utilised £4.5m of the contract specific provisions.

Insurance reserve

The Group retains a portion of the exposure in relation to insurance policies for employer liabilities and motor and fleet liabilities. Judgement is involved in assessing outstanding liabilities, the ultimate cost and timing of which cannot be known with certainty at the balance sheet date. The provision includes claims incurred but not yet reported and is based on information available at the balance sheet date. The provision is expected to be utilised over five years.

The insurance reserve of £26.0m is presented gross of a insurer reimbursement asset of £6.5m (2021: £8.2m), which represents the amount the Group is virtually certain to recover for claims under its insurance policies. The asset is presented as non-current other receivables.

Pension

The pension provision balance at 31 March 2022 includes £21.7m for Section 75 employer debt liabilities of Robert Prettie & Co Limited and Mitie FM Limited as a result of their participation in the Plumbing Scheme. This amount has been recorded as a current provision, however timing of outflows is dependent on agreement with the trustee of the Plumbing Scheme and may occur over a longer period than one year. See Note 21.

Dilapidations

The provision for dilapidations relates to the legal obligation for leased properties to be returned to the landlord in the contracted condition at the end of the lease period. This cost would include repairs of any damage and wear and tear and is expected to be utilised in the next five years.

Restructuring

The restructuring provision relates to unavoidable costs of the organisational change associated with the Group's property transformation programme that are explicitly excluded from the measurement of lease liabilities in accordance with IFRS 16. The amount is expected to be utilised over the next four years.

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[1] £m**
At 1 April 2020	11.7	5.7	12.7	(2.9)	0.4	2.1	**29.7**
Arising on business combinations	18.3	10.9	0.6	(41.5)	–	0.9	**(10.8)**
(Charge)/credit to income statement	(0.2)	(0.9)	(2.1)	1.5	1.7	(0.2)	**(0.2)**
Credit to equity and other comprehensive income	–	–	1.0	–	–	0.1	**1.1**
At 31 March 2021	29.8	15.7	12.2	(42.9)	2.1	2.9	**19.8**
Arising on business combinations	–	(0.2)	–	(2.0)	–	–	**(2.2)**
Disposal of subsidiary undertakings	–	(0.4)	–	–	–	–	**(0.4)**
(Charge)/credit to income statement	4.3	(1.6)	(5.8)	(7.8)	4.6	4.1	**(2.2)**
(Charge)/credit to equity and other comprehensive income	–	–	(3.8)	–	(0.2)	0.1	**(3.9)**
At 31 March 2022	34.1	13.5	2.6	(52.7)	6.5	7.1	**11.1**

Note:

1. Deferred tax liabilities of £52.7m (2021: £40.4m) are offset against deferred tax assets as they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis. Deferred tax liabilities of £9.7m, related to Interserve, as disclosed at 31 March 2021 have been netted off against deferred tax assets in the restated balance sheet. Refer to Note 2.

The Group has unutilised income tax losses of £223.5m (2021: £243.8m) that are available for offset against future profits. A deferred tax asset has been recognised in respect of £136.3m (2021: £156.3m) of these losses to the extent that it is probable that taxable profits will be generated in the future and be available for utilisation. All losses may be carried forward indefinitely. Deferred tax has been calculated using tax rates that were substantively enacted at the balance sheet date. Refer to Note 7.

17. Cash and cash equivalents

	2022 £m	2021 £m
Cash and cash equivalents	**345.2**	196.2

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The Group operates cash-pooling arrangements with certain banks for cash management purposes.

As at 31 March 2022, included within cash and cash equivalents is £17.5m (2021: £18.7m) which is subject to various constraints on the Group's ability to utilise these balances. These constraints primarily relate to amounts held in project bank accounts and cash held through a joint operation, where cash is not available for use by the Group.

As at 31 March 2022, £20.0m cash (2021: £nil) was held across the Group's bank accounts in respect of the CID facility, where cash collected from the Group's customers was held on trust for the CID facility provider. This cash was subsequently remitted to the CID facility provider by 5 April 2022 and has not been categorised as restricted cash.

The carrying amount of the assets approximates their fair value.

18. Financing liabilities

	2022 £m	2021 £m
Bank loans – under committed facilities	**7.1**	6.6
Private placement notes[1]	**171.0**	165.4
Lease liabilities	**122.5**	106.8
Total	**300.6**	278.8
Included in current liabilities	**171.1**	28.7
Included in non-current liabilities[1]	**129.5**	250.1
Total	**300.6**	278.8

Note:

1. As at 31 March 2021, £0.1m of foreign exchange forward contracts were included in non-current financing liabilities.

In October 2021, the Group signed a new £150m revolving credit facility and terminated the existing £250m facility. The new facility expires in October 2025 (with an option to extend a further year, subject to lenders' approval) and is on significantly more favourable terms. As a result, the remaining capitalised arrangement fees of £1.0m for the previous facility have been written off and recorded in the consolidated income statement as finance costs.

In November 2021, the Group agreed, under a delayed funding arrangement, the issue of £120.0m of new US private placement notes in December 2022, avoiding any overlap with the existing £121.5m of notes that mature in the same month. The new notes are split equally between 8, 10 and 12 year maturities, and will be issued with an average coupon of 2.94% which is considerably below the current coupon.

The revolving credit facility and the US private placement notes are unsecured but have financial and non-financial covenants and obligations commonly associated with these arrangements. The Group was in compliance with these covenants as at 31 March 2022 and hence all amounts are classified in line with repayment dates.

At 31 March 2022, the Group had available £141.5m (2021: £241.4m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Details of the Group's contingent liabilities are provided in Note 22. The weighted average interest rates paid during the year were as follows:

	2022 %	2021 %
Bank loans	**2.4**	1.3
Private placement notes	**4.0**	4.0

Private placement notes

The Group issued US$153.0m and £55.0m of PP notes on 13 December 2012. The PP notes are unsecured and rank pari passu with other senior unsecured indebtedness of the Group. In order to manage the risk of foreign currency fluctuations and the Group's finance costs, the Group has entered into cross-currency interest rate swaps. The swap contracts have the same duration and other critical terms as the borrowings and are considered to be highly effective. The amount, maturity and interest terms of these PP notes as at 31 March 2022 are shown below.

Tranche	Maturity date	Amount	Interest terms	Swap interest
10 year	16 December 2022	US$76.0m	US$ fixed at 3.85%	£ fixed at 4.05%
10 year	16 December 2022	US$77.0m	US$ fixed at 3.85%	£ fixed at 4.02%
10 year	16 December 2022	£25.0m	£ fixed at 3.87%	n/a
12 year	16 December 2024	£30.0m	£ fixed at 4.04%	n/a

19. Analysis of net debt

	2022 £m	2021 £m
Cash and cash equivalents (Note 17)	**345.2**	196.2
Adjusted for: restricted cash and cash held on trust[1]	**(37.5)**	(18.7)
Bank loans (Note 18)	**(7.1)**	(6.6)
Private placement notes[2] (Note 18)	**(171.0)**	(165.4)
Derivative financial instruments hedging private placement notes	**19.6**	14.6
Net cash before lease obligations	**149.2**	20.1
Lease liabilities	**(122.5)**	(106.8)
Net cash/(debt)	**26.7**	(86.7)

Notes:

1. As at 31 March 2022, £20.0m cash (2021: £nil) was held across the Group's bank accounts in respect of the CID facility, where cash collected from the Group's customers was held on trust for the CID facility provider. This cash was subsequently remitted to the CID facility provider by 5 April 2022.
2. Including £nil (2021: £0.1m) of forward foreign exchange contracts.

20. Acquisitions

Current period acquisitions

DAEL

On 5 August 2021, the Group acquired the entire issued share capital of DAEL Ventures Limited (DAEL) for a total cash consideration of £14.7m, funded through Mitie's own resources. DAEL is a leading provider of acquisition, design, and construction services in the UK for mobile telecoms infrastructure. This acquisition will broaden the Group's expertise in the fast-growing telecoms sector, delivering end-to-end service for customers and giving Mitie market-leading capabilities.

DAEL contributed £16.7m of revenue and £0.4m of operating profit before other items to the Group's results for the year ended 31 March 2022.

The Group's provisional assessment of the fair values of the assets and liabilities recognised as a result of the acquisition has been based on the total fair value of the consideration. The provisional purchase price allocation is as follows:

	Book value £m	Fair value adjustments £m	**Provisional fair value £m**
Customer relationships	–	5.0	**5.0**
Property, plant and equipment	0.9	–	**0.9**
Right-of-use assets	0.1	–	**0.1**
Trade and other receivables	8.0	–	**8.0**
Cash and cash equivalents	1.5	–	**1.5**
Trade and other payables	(8.3)	–	**(8.3)**
Deferred income	(0.5)	–	**(0.5)**
Financing liabilities	(0.1)	–	**(0.1)**
Current tax payable	(0.1)	–	**(0.1)**
Deferred tax liabilities	(0.2)	(1.2)	**(1.4)**
Net identifiable assets acquired	1.3	3.8	**5.1**
Goodwill			**9.6**
Total cash consideration			**14.7**

Goodwill on the acquisition of DAEL mainly represents the premium associated with taking over the operations which are considered to enhance the Group's ability to deliver across the telecoms sector and the assembled workforce acquired. Goodwill acquired has been allocated to the Technical Services CGU.

Rock

On 1 November 2021, the Group completed the acquisition of the entire issued share capital of Rock Power Connections Ltd (Rock), a leading independent connections provider (IPC). Rock has nationwide coverage and specialises in the design and installation of new high voltage electricity supplies, the renewal of industrial and commercial customers' electrical assets up to 132kV and the installation of EV charging points for non-residential blue-chip customers. This acquisition will bolster Mitie's existing EV expertise, enhancing the Group's ability to offer a truly end-to-end solution to meet clients' net zero goals. The transaction consideration funded through Mitie's own resources, comprised of an initial payment of £10.0m (before debt-free/cash-free and normalised working capital increases of £2.2m), with two deferred payments in aggregate of up to £1.1m (£0.9m discounted) by 31 March 2024, linked to stretching performance targets. The transaction also includes two performance-based employment-linked earnouts totalling a maximum of £4.4m, of which £0.9m has been recognised within the consolidated income statement and classified as Other items during the year ended 31 March 2022.

Rock contributed £7.3m of revenue and £0.3m of operating profit before other items to the Group's results during the year ended 31 March 2022.

The Group's provisional assessment of the fair values of the assets and liabilities recognised as a result of the acquisition has been based on the total fair value of the consideration. The purchase price allocation is as follows:

	Book value £m	Fair value adjustments £m	Provisional fair value £m
Customer relationships	–	2.5	**2.5**
Property, plant and equipment	0.2	–	**0.2**
Right-of-use assets	0.2	–	**0.2**
Trade and other receivables	2.2	–	**2.2**
Inventories	0.1	–	**0.1**
Cash and cash equivalents	3.0	–	**3.0**
Trade and other payables	(2.3)	–	**(2.3)**
Deferred Income	(3.0)	–	**(3.0)**
Financing liabilities	(0.2)	–	**(0.2)**
Current tax payable	(0.2)	–	**(0.2)**
Deferred tax liabilities	–	(0.6)	**(0.6)**
Net identifiable assets acquired	–	1.9	**1.9**
Goodwill			**11.2**
Total consideration			**13.1**
Cash consideration			**12.2**
Deferred consideration			**0.9**
Total consideration			**13.1**

Goodwill on the acquisition of Rock represents the premium associated with taking over the operations which are considered to enhance the Group's ability to better deliver Plan Zero. Goodwill acquired has been allocated to the Technical Services CGU.

Esoteric

On 17 November 2021, the Group completed the acquisition of the entire issued share capital of issued share capital of Esoteric Limited (Esoteric), a niche provider of leading counter espionage and specialist countermeasure services, on a cash free, debt free basis. Mitie is strengthening its security intelligence offering with the acquisition of a leading provider of specialist counter espionage services. The transaction consideration, funded through Mitie's own resources, comprised of an initial payment of £0.6m, with two deferred payments in aggregate of up to £0.5m (£0.4m discounted) by 31 March 2024, linked to stretching performance targets.

The Group's provisional assessment of the fair values of the assets and liabilities recognised as a result of the acquisition has been based on the total fair value of the consideration. The net identified assets acquired of £0.3m, included £nil cash and cash equivalents, resulted in a goodwill of £0.7m. Goodwill acquired has been allocated to the Business Services CGU.

Esoteric contributed £0.4m of revenue and £0.1m of operating profit before other items to the Group’s results during the year ended 31 March 2022. Goodwill on the acquisition of Esoteric represents the premium associated with taking over the operations which are considered to enhance the Group's ability to better deliver across the security sector.

Biotecture

On 31 January 2022, the Group completed the acquisition of Biotecture Limited and Green Planet Design Ltd, collectively Biotecture, for a cash consideration of £2.2m, funded through the Group's own resources. The transaction also includes two performance-based employment-linked earnouts totalling a maximum of £1.0m, of which £0.1m has been recognised within the consolidated income statement and classified as Other items during the year ended 31 March 2022. Biotecture design, build and maintain vertical gardens, known as living walls. This acquisition will complement Mitie's Plan Zero programme to support businesses to achieve a net zero carbon future.

The Group's provisional assessment of the fair values of the assets and liabilities recognised as a result of the acquisition has been based on the total fair value of the consideration. The net identified assets acquired of £1.4m, included £0.3m cash and cash equivalents, resulted in a goodwill of £0.8m. Goodwill acquired has been allocated to the Landscapes CGU.

Biotecture contributed £0.8m of revenue and £0.1m of operating profit before other items to the Group’s results during the year ended 31 March 2022. Goodwill on the acquisition of Biotecture represents the premium associated with taking over the operations which are considered to enhance the Group's ability to better deliver Plan Zero.

Based on estimates made of the full year impact of the above noted acquisitions, Group revenue and operating profit before other items for the year would have increased by approximately £23.9m and £1.9m respectively, resulting in total Group revenue of £3,927.2m and total Group operating profit before other items of £168.8m.

Prior period acquisitions

On 30 November 2020, the Group announced that it had completed the acquisition of the entire issued share capital of Interservefm (Holdings) Limited (Interserve). Interserve is a leading UK-focused facilities management business, providing services across multiple end-markets. The acquisition allows Mitie to develop in strategic growth areas, enhance Mitie’s position as a leading UK facilities management company, and accelerate the delivery of Mitie’s long-term technology-led vision.

Initial consideration for the acquisition comprised the issuance of 248.4 million ordinary shares valued using the closing share price at 30 November 2020, representing c.17.5% of the share capital of Mitie Group plc, and cash consideration of £120.0m determined on the basis that Interserve would be delivered cash-free/debt-free and with an agreed normalised level of working capital. The actual cash payment made at completion was

£105.0m, being the £120.0m cash consideration adjusted for the estimated debt, debt like items and working capital as at the completion date (which was to be validated by a completion accounts process).

The acquisition accounting for the Interserve transaction was disclosed as provisional within the Group's full year results to 31 March 2021. As such, the Group used the 12-month measurement period from the date of acquisition (Measurement Period), in accordance with IFRS 3 *Business Combinations*, to finalise the fair value measurement of particular assets, liabilities, and items of consideration (relating to the completion accounts process). The Measurement Period ended for this transaction on 29 November 2021 and hence, fair value amounts are disclosed as final as at 31 March 2022.

During the Measurement Period, the fair value of consideration was adjusted by £4.9m to £146.9m following an adjustment which represented management's best estimate of the amount expected to be received through the completion accounts process. This adjustment to consideration as a result of the completion accounts process reduced the fair value of consideration and therefore goodwill by £52.7m with a corresponding receivable being recorded. The outcome of the completion accounts process was inherently uncertain at the end of the Measurement Period, given that the SPA terms related to the completion accounts mechanism were complex, and the completion accounts would be the subject of commercial negotiation and, in the absence of agreement, an expert determination process, and, as has previously been disclosed, the final amount agreed could therefore be materially different from the estimate made at the end of the Measurement Period.

Also during the Measurement Period, the Group performed further analysis of balances acquired as part of the Interserve transaction which included working capital adjustments to receivables, payables and deferred income. The activities that were undertaken by the Group in the fair value measurement exercise resulted in a £7.2m adjustment to increase provisions and a £4.9m adjustment to increase consideration as a result of the completion accounts process. The adjustments made to both the fair value of net identifiable assets acquired and the fair value of total consideration resulted in a consequential increase of £12.6m to goodwill, culminating in a balance of £15.9m being recognised. There was no material impact to the post acquisition income statement.

As noted above, the Group has recognised fair value adjustments of £7.2m to increase provisions acquired, of which £6.4m related to onerous contract provisions. This was predominantly the result of the review performed by management of PFI contracts where new information received about obligations that existed at the date of acquisition and the quantification of estimated costs led to a remeasurement of the liability. Management performed additional investigative surveys and received additional information from customers.

The Group's assessment of the fair values of the assets and liabilities recognised as a result of the acquisition is as follows:

	As disclosed at 31 March 2021			At 31 March 2022	
	Book value £m	Fair value adjustments £m	Provisional fair value £m	Fair value adjustments £m	**Fair value £m**
Customer contracts and relationships	–	219.3	219.3	–	**219.3**
Other intangible assets	3.6	(0.2)	3.4	–	**3.4**
Property, plant and equipment	4.6	0.5	5.1	–	**5.1**
Right-of-use assets	16.9	(3.4)	13.5	–	**13.5**
Interest in joint ventures and associates	7.0	3.7	10.7	–	**10.7**
Deferred tax assets	19.6	(19.6)	–	–	**–**
Inventories	6.3	–	6.3	–	**6.3**
Trade and other receivables	214.9	–	214.9	0.1	**215.0**
Cash and cash equivalents	40.4	–	40.4	–	**40.4**
Trade and other payables	(223.6)	1.1	(222.5)	(0.3)	**(222.8)**
Deferred income	(59.4)	–	(59.4)	(0.3)	**(59.7)**
Financing liabilities	(18.1)	3.9	(14.2)	–	**(14.2)**
Current tax liabilities	(1.6)	–	(1.6)	–	**(1.6)**
Provisions	(66.7)	–	(66.7)	(7.2)	**(73.9)**
Pension assets	0.3	–	0.3	–	**0.3**
Deferred tax liabilities	–	(10.8)	(10.8)	–	**(10.8)**
Net identifiable (liabilities)/assets acquired	(55.8)	194.5	138.7	(7.7)	**131.0**
Goodwill[1]			3.3	12.6	**15.9**
Total consideration			142.0	4.9	**146.9**
Cash consideration			105.0	–	**105.0**
Shares consideration			94.6	–	**94.6**
Adjustment to consideration[2]			(57.6)	4.9	**(52.7)**
Total consideration			142.0	4.9	**146.9**

Notes:

1. Goodwill does not qualify for separate recognition and largely represents the value attributed to the assembled workforce acquired.
2. Adjustment to consideration represented management's best estimate of the amount expected to be recovered by the Group through the completion accounts and other SPA mechanisms. The outcome of the completion accounts process was inherently uncertain, given that this was subject to a commercial negotiation and an expert determination process, and the final amount agreed could therefore be materially different from the estimate made at the end of the Measurement Period.

The completion accounts process (and expert determination) has since been concluded. Following the expert's determination, for which the expert sought a legal opinion in relation to the interpretation of the complex SPA requirements, an agreement was reached for the seller to pay £7.1m to the Group, of which £1.1m was settled during the second half of the year ended 31 March 2022 and £6.0m was settled in May 2022. The resulting £45.6m reduction in the related receivable of £52.7m has been recognised in the consolidated income statement and classified as Other items, given that the Measurement Period had ended.

Cash flows on acquisitions

	2022 £m	2021 £m
Cash consideration	**29.7**	105.0
Less: cash balance acquired[1]	**(4.8)**	(40.4)
Net outflow of cash – investing activities	**24.9**	64.6

Note:
1. £19.4m of the cash acquired in the year ended 31 March 2021 was subject to restrictions.

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 defined benefit schemes include the Mitie Group plc Pension Scheme (Group scheme), the Interserve Scheme Part C (Interserve scheme) and three smaller schemes; MacLellan Group 2000 Retirement Benefit Scheme, THK Insulation Limited Retirement Benefits Scheme and Cyprus Provident Fund. Due to the size of the smaller schemes, the Directors present the results and position of these schemes within this Note within Other schemes with Admitted Body schemes, largely sections of Local Government pension schemes, in respect of certain employees who joined the Group under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) or through the acquisition of subsidiary companies. In addition, Interserve Scheme Part B (Landmarc), is held within interest in joint ventures and associates.

Defined contribution schemes

A defined contribution scheme is a pension scheme under which the Group pays contributions to an independently administered fund; such contributions are based upon a fixed percentage of employees' pay. The Group has no legal or constructive obligations to pay further contributions to the fund once these contributions have been paid. Members' benefits are determined by the amount of contributions paid, together with investment returns earned on the contributions arising from the performance of each individual's chosen investments and the type of pension the member chooses to take at retirement. As a result, actuarial risk (that pension will be lower than expected) and investment risk (that the assets invested in do not perform in line with expectations) are borne by the employee.

The Group's contributions are recognised as an employee benefit expense when they are due.

The Group operates four separate schemes: a stakeholder defined contribution plan, which is closed to new members; a self-invested personal pension plan, which is closed to new members; and two group personal pension (GPP) plans. Employer contributions are payable to each on a matched basis requiring employee contributions to be paid. Employees have the option to pay their share via a salary sacrifice arrangement. The scheme used to satisfy auto-enrolment compliance is a master trust, The People's Pension.

During the year, the Group made a total contribution to the defined contribution schemes of £14.8m (2021: £11.9m) and contributions to the auto-enrolment scheme of £21.5m (2021: £17.8m), which are included in the consolidated income statement charge. The Group expects to make contributions of a similar amount in the year ending 31 March 2023.

Defined benefit schemes

Group scheme

The Group scheme provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their final pensionable pay.

The Group scheme closed to new members in 2006, with new employees able to join one of the defined contribution schemes.

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

The nature of the relationship between the Group and the Trustee is also governed by regulations and practice. The Trustee must agree a funding plan with the sponsoring company such that any funding shortfall is expected to be met by additional contributions and investment outperformance. In order to assess the level of contributions required, triennial valuations are carried out with the scheme's obligations measured using prudent assumptions (which are determined by the Trustee with advice from the scheme actuary). The most recent triennial valuation was carried out as at 31 March 2020.

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

The latest funding valuation as at 31 March 2020 indicated an actuarial deficit of £92.1m. As a result, the Group has agreed a deficit recovery plan with the trustees totalling £92.8m over seven years, which should eliminate the deficit if the funding assumptions materialise in practice. In this regard, £21.5m has been paid to 31 March 2022, which includes £10.9m paid during the year ended 31 March 2022.

Interserve Scheme Part C (Interserve scheme)

The Interserve scheme was formed to take Support Services members transferred out of the Interserve Group Pension Scheme as part of the acquisition arrangements. The transfer was completed on 28 February 2020 via a flexible apportionment arrangement, which was approved by The Pensions Regulator. Following the Flexible Apportionment Arrangement, the first triennial valuation is being carried out at 31 December 2020. An initial funding valuation as at 31 December 2020 for the Interserve scheme was received during the year, which indicated an actuarial deficit of £1.6m, subject to approval by the scheme's trustees.

The Group has an unconditional right to refund of surplus assuming the gradual settlement of the Interserve scheme liabilities over time until all members have left the section. Accordingly, there is no restriction on the surplus.

Other defined benefit schemes

Grouped together under Other schemes are a number of schemes to which the Group makes contributions under Admitted Body status to clients' (generally local government or government entities) defined benefit schemes in respect of certain employees who transferred to the Group under TUPE. The valuations of the Other schemes are updated by an actuary at each balance sheet date.

For the Admitted Body schemes, which are largely sections of the Local Government Pension Scheme, the Group will only participate for a finite period up to the end of the relevant contract. The Group is required to pay regular contributions, as decided by the relevant scheme actuaries and detailed in each scheme's Contributions Certificate, which are calculated every three years as part of a triennial valuation. In a number of cases contributions payable by the employer are capped and any excess is recovered from the entity that the employees transferred from. In addition, in certain cases, at the end of the contract the Group will be required to pay any deficit (as determined by the scheme actuary) that is assessed for its notional section of the scheme.

The Group made contributions to the Other schemes of £0.8m in the year (2021: £0.3m). The Group expects to make contributions of around £0.8m to the Other schemes in the year ending 31 March 2023.

Multi-employer schemes

As a result of acquisition activity and staff transfers following contract wins, the Group participates in four multi-employer pension schemes. The total contributions to these schemes for the financial year ending 31 March 2023 are anticipated to be £0.1m. For three of these schemes, the Group's share of the assets and liabilities is minimal.

The fourth scheme is the Plumbing & Mechanical Services (UK) Industry Pension Scheme (the Plumbing Scheme), a funded multi-employer defined benefit scheme. The Plumbing Scheme was founded in 1975 and to date has had over 4,000 employers. The Group has received a Section 75 employer debt notice for £20.0m in respect of the participation of Robert Prettie & Co Limited in the Plumbing Scheme.

As a result of the Interserve acquisition, the Group increased its participation in the Plumbing Scheme and the Group has received a Section 75 employer debt notice for £1.7m in respect of the participation of Mitie FM Limited.

Provisions of £21.7m were held at 31 March 2022 for Section 75 employer debts in respect of the participation of Robert Prettie & Co. and Mitie FM Limited in the Plumbing Scheme. See Note 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 34, this potential exposure has been disclosed as a contingent liability.

Accounting assumptions

The assumptions used in calculating the accounting costs and obligations of the Group's defined benefit pension schemes, as detailed below, are set after consultation with independent, professionally qualified actuaries.

The discount rate used to determine the present value of the obligations is set by reference to market yields on high-quality corporate bonds. The assumptions for price inflation are set by reference to the difference between yields on longer-term conventional government bonds and index-linked bonds. The assumption for increases in pensionable pay takes into account expected salary inflation, the cap at CPI, and how often the cap is likely to be exceeded.

The assumptions for life expectancy have been set with reference to the actuarial tables used in the latest funding valuations. The Group is monitoring the impact of COVID-19 on the Group's defined benefit pension schemes and no impact of COVID-19 has been factored into the life expectancy assumptions as at 31 March 2022.

Principal accounting assumptions at balance sheet date

	Group scheme		Interserve scheme		Other schemes	
	2022 %	2021 %	**2022 %**	2021 %	**2022 %**	2021 %
Key assumptions used for IAS 19 valuation:						
Discount rate	**2.75**	2.10	**2.80**	2.10	**2.80**	2.10
Expected rate of pensionable pay increases	**3.60**	2.50	**3.80**	2.50	**3.80**	2.50
Retail price inflation	**3.60**	3.25	**3.30**	3.25	**3.30**	3.25
Consumer price inflation	**2.85**	2.50	**2.85**	2.50	**2.85**	2.50
Future pension increases	**3.60**	3.25	**3.80**	3.30	**3.80**	3.25

	Group scheme		Interserve scheme	
	2022 Years	2021 Years	**2022 Years**	2021 Years
Post retirement life expectancy:				
Current pensioners at 65 – male	**87.6**	87.6	**86.2**	86.3
Current pensioners at 65 – female	**89.0**	88.9	**88.3**	88.3
Future pensioners at 65 – male	**88.7**	88.6	**87.3**	87.3
Future pensioners at 65 – female	**90.2**	90.1	**89.6**	89.6

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

Sensitivity of defined benefit obligations to key assumptions

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

		Impact on defined benefit obligations	
	Change in assumption	Increase/(decrease) in obligations %	Increase/(decrease) in obligations £m
Increase in discount rate	0.1%	(1.7%)	(6.1)
Increase in retail price inflation[1]	0.1%	1.1%	3.8
Increase in consumer price inflation (excluding pay)	0.1%	0.8%	3.0
Increase in life expectancy	1 year	3.6%	13.2

Note:
1. Including other inflation-linked assumptions (consumer price inflation, pension increases and salary growth).

Some of the above changes in assumptions may have an impact on the value of the scheme's investment holdings. For example, the Group scheme holds a proportion of its assets in UK corporate bonds. A fall in the discount rate as a result of lower UK corporate bond yields would lead to an increase in the value of these assets, mitigating the increase in the defined benefit obligation to some extent. The duration, or average term to payment for the benefits due, weighted by liability, is around 20 years for the Group scheme and around 19 years for the Interserve scheme.

Amounts recognised in financial statements

Amounts recognised in the consolidated income statement are as follows:

				2022				2021
	Group scheme £m	**Interserve scheme £m**	**Other schemes £m**	**Total £m**	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m
Current service cost	**(0.2)**	**(0.9)**	**(2.0)**	**(3.1)**	(0.2)	(0.3)	(0.5)	(1.0)
Past service cost (including curtailments)[1]	**–**	**–**	**(0.5)**	**(0.5)**	(0.2)	–	–	(0.2)
Total administration expense	**(0.4)**	**(0.3)**	**(0.1)**	**(0.8)**	(0.8)	–	–	(0.8)
Amounts recognised in operating profit	**(0.6)**	**(1.2)**	**(2.6)**	**(4.4)**	(1.2)	(0.3)	(0.5)	(2.0)
Past service cost[1]	**–**	**–**	**–**	**–**	–	–	–	–
Net interest cost	**(0.8)**	**0.1**	**(0.2)**	**(0.9)**	(1.0)	0.1	–	(0.9)
Amounts recognised in profit/(loss) before tax	**(1.4)**	**(1.1)**	**(2.8)**	**(5.3)**	(2.2)	(0.2)	(0.5)	(2.9)

Note:
1. The past service cost of £0.5m was a cost in respect of the McCloud judgement. For the year ended 31 March 2021, £0.2m was a cost in respect of equalising Guaranteed Minimum Pensions and is recognised within the consolidated income statement and classified as Other items.

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

				2022				2021
	Group scheme £m	**Interserve scheme £m**	**Other schemes £m**	**Total £m**	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m
Actuarial gains/(losses) arising due to changes in financial assumptions	**20.1**	**0.3**	**(0.8)**	**19.6**	(34.9)	0.6	(1.7)	(36.0)
Actuarial (losses)/gains arising from liability experience	**(1.8)**	**(1.9)**	**–**	**(3.7)**	9.4	(0.1)	0.3	9.6
Actuarial (losses)/gains due to changes in demographic assumptions	**(1.3)**	**(0.8)**	**–**	**(2.1)**	4.0	–	0.4	4.4
Movement in asset ceiling	**–**	**–**	**(5.1)**	**(5.1)**	–	–	(1.0)	(1.0)
Return on scheme assets, excluding interest income	**6.5**	**0.7**	**5.5**	**12.7**	16.1	(1.7)	3.2	17.6
Return on reimbursement asset[1]	**–**	**–**	**0.7**	**0.7**	–	–	–	–
Amounts recognised in consolidated statement of comprehensive income	**23.5**	**(1.7)**	**0.3**	**22.1**	(5.4)	(1.2)	1.2	(5.4)

Note:
1. Included within the consolidated statement of comprehensive income is £0.7m related to a reimbursement asset. The reimbursement asset is recorded within other receivables.

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

	2022				2021			
	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m
Fair value of scheme assets	231.0	32.6	87.0	350.6	215.3	30.7	80.8	326.8
Present value of defined benefit obligations	(238.3)	(31.0)	(93.5)	(362.8)	(256.7)	(27.7)	(84.9)	(369.3)
Net pension (liability)/asset	(7.3)	1.6	(6.5)	(12.2)	(41.4)	3.0	(4.1)	(42.5)

All figures above are shown before deferred tax.

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

	2022				2021			
	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m
At 1 April	256.7	27.7	84.9	369.3	236.4	–	13.2	249.6
Arising on business combinations	–	–	–	–	–	27.9	23.9	51.8
Participation in additional schemes	–	–	–	–	–	–	45.5	45.5
Current service cost	0.2	0.9	2.0	3.1	0.2	0.3	0.5	1.0
Interest cost	5.3	0.6	1.6	7.5	5.5	0.1	0.4	6.0
Contributions from scheme members	–	0.1	0.2	0.3	–	–	0.1	0.1
Actuarial (gains)/losses arising due to changes in financial assumptions	(20.1)	(0.3)	0.8	(19.6)	34.9	(0.6)	1.7	36.0
Actuarial losses/(gains) arising from experience	1.8	1.9	–	3.7	(9.4)	0.1	(0.3)	(9.6)
Actuarial losses/(gains) due to changes in demographic assumptions	1.3	0.8	–	2.1	(4.0)	–	(0.4)	(4.4)
Movement in asset ceiling	–	–	5.1	5.1	–	–	1.0	1.0
Benefits paid	(6.9)	(0.7)	(1.0)	(8.6)	(7.1)	(0.1)	(0.7)	(7.9)
Past service cost (including curtailments)	–	–	(0.1)	(0.1)	0.2	–	–	0.2
At 31 March	238.3	31.0	93.5	362.8	256.7	27.7	84.9	369.3

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

	2022 £m	2021 £m
Active	2.2	3.6
Deferred	130.1	167.4
Pensioners	106.0	85.7
At 31 March	238.3	256.7

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

	2022				2021			
	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m
At 1 April	215.3	30.7	80.8	326.8	191.1	–	11.8	202.9
Arising on business combinations	–	–	–	–	–	31.9	20.2	52.1
Participation in additional schemes	–	–	–	–	–	–	45.5	45.5
Interest income	4.5	0.7	1.4	6.6	4.5	0.2	0.4	5.1
Actuarial gains/(losses) on assets	6.5	0.7	5.5	12.7	16.1	(1.7)	3.2	17.6
Contributions from the sponsoring companies	12.0	1.4	0.8	14.2	11.5	0.4	0.3	12.2
Contributions from scheme members	–	0.1	0.2	0.3	–	–	0.1	0.1
Expenses paid	(0.4)	(0.3)	(0.1)	(0.8)	(0.8)	–	–	(0.8)
Benefits paid	(6.9)	(0.7)	(1.0)	(8.6)	(7.1)	(0.1)	(0.7)	(7.9)
Past service cost (including curtailments)	–	–	(0.6)	(0.6)	–	–	–	–
At 31 March	231.0	32.6	87.0	350.6	215.3	30.7	80.8	326.8

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

	2022				2021			
	Group scheme £m	**Interserve scheme £m**	**Other schemes £m**	**Total £m**	Group scheme £m	Interserve scheme £m	Other schemes £m	Total £m
Equities	**64.3**	**15.1**	**49.6**	**129.0**	68.1	–	45.7	113.8
Government bonds	**82.2**	**–**	**1.0**	**83.2**	54.2	14.5	2.7	71.4
Corporate bonds	**18.2**	**3.4**	**14.6**	**36.2**	28.7	3.3	13.9	45.9
Property	**9.4**	**2.5**	**13.9**	**25.8**	16.7	2.1	10.5	29.3
Commodities	**3.8**	**–**	**–**	**3.8**	–	–	–	–
Diversified growth fund	**23.0**	**11.1**	**3.4**	**37.5**	43.9	9.9	3.2	57.0
Cash	**30.1**	**0.5**	**4.5**	**35.1**	3.7	0.9	4.8	9.4
Total fair value of assets	**231.0**	**32.6**	**87.0**	**350.6**	215.3	30.7	80.8	326.8

The investment portfolios are diversified, investing in a wide range of assets, in order to provide reasonable assurance that no single asset or type of asset could have a materially adverse impact on the total portfolio. To reduce volatility, certain assets are held in a matching portfolio, which largely consists of government and corporate bonds, designed to mirror movements in corresponding liabilities.

Around 56% (2021: 59%) of the assets are held in equities, property, commodities and pooled investment vehicles which seek a higher expected level of return over the long term.

The property assets represent quoted property investments.

Risks and risk management

The Group scheme, in common with the majority of UK plans, has a number of risks. These areas of risk and the ways in which the Group has sought to manage them, are set out in the table below.

The risks are considered from both a funding perspective, which drives the cash commitments of the Group, and from an accounting perspective, i.e. the extent to which such risks affect the amounts recorded in the Group's financial statements:

Risk	Description
Asset volatility	The funding liabilities are calculated using a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio. The defined benefit obligation for accounting is calculated using a discount rate set with reference to corporate bond yields. The Group scheme holds a large proportion of its assets (44%) in equities and other return-seeking assets (principally diversified growth funds (DGFs), property and commodities). The returns on such assets tend to be volatile and are not correlated to government bonds. This means that the funding level has the potential to be volatile in the short term, potentially resulting in short-term cash requirements, or alternative security offers, which are acceptable to the Trustee, and an increase in the net defined benefit liability recorded on the Group's balance sheet. Equities and DGFs are considered to offer the best returns over the long term with an acceptable level of risk and hence the scheme holds a significant proportion of these types of asset. However, the scheme's assets are well-diversified by investing in a range of asset classes, including property, commodities, government bonds and corporate bonds. The Group scheme holds 10% of its assets in DGFs which seek to maintain high levels of return whilst achieving lower volatility than direct equity funds. The allocation to return seeking assets is monitored to ensure it remains appropriate given the scheme's long-term objectives. The investment in bonds is discussed further below.
Changes in bond yields	Falling bond yields tend to increase the funding and accounting obligations. However, the investment in corporate and government bonds offers a degree of matching, i.e. the movement in assets arising from changes in bond yields partially matches the movement in the funding or accounting obligations. In this way, the exposure to movements in bond yields is reduced.
Inflation risk	The majority of the Group scheme's benefit obligations are linked to inflation. Higher inflation will lead to higher liabilities (although caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the Group scheme's assets are either unaffected by inflation (fixed interest bonds) or loosely correlated with inflation (equities), meaning that an increase in inflation will also increase the deficit.
Life expectancy	The majority of the Group scheme's obligations are to provide a pension for the life of the member, so increases in life expectancy will result in an increase in the obligations.

Areas of risk management

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

Certain benefits payable on death before retirement are insured.

22. Contingent liabilities

Cyber incident

On 13 May 2020, Interserve Group Limited (IGL) announced that it was subject to a cyber-attack, which affected elements of the Interserve Group's IT systems (including enterprise resource planning and human resource systems), including elements related to the Interserve entities acquired by Mitie (the Cyber Incident).

The Cyber Incident was reported to the Information Commissioner's Office (ICO) on 5 May 2020. The ICO subsequently advised IGL that it considered it likely that IGL had breached certain articles of the GDPR. It was therefore possible that IGL or members of the Interserve Group could be subject to any regulatory action in respect of the Cyber Incident which, if they were found in breach of their obligations under the GDPR, could result in a remedial order or fine.

On 27 April 2022 the ICO subsequently issued a Notice of Intent (NOI) to IGL, advising that it is minded to issue IGL with a penalty notice under section 155 of the UK's Data Protection Act 2018. The NOI contains a confirmation that the ICO is satisfied that IGL is the controller with primary responsibility for the matters which gave rise to the breach of certain articles of the GDPR.

In accordance with the share purchase agreement dated 25 June 2020 (the SPA), pursuant to which Mitie acquired the Interserve entities from How Group Limited (HGL), HGL agreed to indemnify Mitie against any penalty that the ICO might impose on the Interserve entities acquired by Mitie in relation to the Cyber Incident (the Cyber Indemnity). The Cyber Indemnity was, alongside other indemnities given by HGL, secured by escrow arrangements, pursuant to which £40.0m was held in an escrow account for a period of two years (until 30 November 2022).

Management reasonably believe that, having regard to the NOI (including the confirmation that IGL is the relevant controller for the purposes of the ICO's investigation), the former Interserve entities, acquired on 30 November 2020, will not be subject to any regulatory action in respect of the Cyber Incident which could result in a remedial order or fine.

On 26 May 2022, Mitie and HGL agreed to settle all and any liabilities arising out of the SPA, including, without limitation, all and any sums due from HGL to Mitie pursuant to the completion account process contained in the SPA (and the expert determination process related thereto) by the payment of £6.0m from HGL to Mitie.

As part of those settlement arrangements, Mitie and HGL agreed that £32.5m would be released from the escrow arrangements, of which £6.0m would be paid directly to Mitie (in satisfaction of HGL's obligation to Mitie). It was agreed that the Cyber Indemnity would continue in full force and effect and that the balance of the escrow monies, £7.5m, would remain in the escrow account until the earlier of: (i) any enforcement notice made by the ICO in connection with the Cyber Incident having been settled, determined or agreed; (ii) the ICO having confirmed that it will not take any formal enforcement action in connection with the Cyber Incident; or (iii) 30 November 2023.

Contractual disputes, guarantees and indemnities

The Group is, from time to time, party to contractual disputes that arise in the ordinary course of business. Management does not anticipate that the outcome of any of these disputes will have a material adverse effect on the Group's financial position, other than as already provided for in the financial statements. In appropriate cases, a provision is recognised based on best estimates and management judgement but there can be no guarantee that these provisions (which may be subject to potentially material revision from time to time) will result in an accurate prediction, due to the uncertainty of the actual costs and liabilities that may be incurred.

The Group is currently aware of potential liabilities relating to certain of the PFI contracts in the Interserve business. Management is in the process of investigating the extent to which a liability to provide rectification works exists, the result of which may or may not involve legal proceedings. Whilst management is collating the required information to assess the potential exposure, no reliable estimate of the contingent liability, or the likely timing of any settlement amount, can be made at the reporting date.

The Group and its subsidiaries have provided performance and financial guarantees, issued by financial institutions on its behalf, amounting to £29.2m (2021: £27.2m) in the ordinary course of business. These are not expected to result in any material financial loss.

Multi-employer pension schemes

When the Group (or a subsidiary of the Group) exits multi-employer pension schemes (typically by ceasing to have any active employees in the scheme), pension legislation may require the Group to fund the Group's share of the total amount of net liabilities with a one-off cash payment (a Section 75 debt under the Pensions Act 1995).

The Group continues to have an exposure to Section 75 employer debts in respect of the participation of Mitie Property Services (UK) Limited in the Plumbing Scheme, which have been estimated at £2.4m by the trustee, however no event has occurred to trigger this debt.

Employment claims

The Group is, from time to time, party to employment disputes, claims, and other potential liabilities which arise in the ordinary course of business. Management does not anticipate that any of the current matters will give rise to settlements, either individually or in aggregate, which will have a material adverse effect on the Group's financial position.

23. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note.

Mitie Group plc has a related party relationship with the Mitie Foundation, a charitable company. During the year, the Group made donations and gifts in kind of £0.2m (2021: £0.2m) to the Foundation.

During the year ended 31 March 2022, the Group recognised revenue from transactions with joint ventures or associates of £1.6m (2021: £0.6m). The amounts due from joint ventures and associates at the year end is £0.4m (2021: £0.3m) and £0.2m (2021: £nil) expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by joint ventures and associates.

The Group's key management personnel include the Executive Directors, Non-Executive Directors and members of the Mitie Group Executive (MGX). Details of the Directors' remuneration are included in Note 6. The remuneration for the other members of the MGX, including the share-based payments charge, is £9.2m (2021: £6.3m). No material contract or arrangement has been entered into during the year, nor existed at the end of the year, in which a Director had a material interest.

	2022 £m	2021 £m
Short-term employment benefits	**4.0**	3.4
Post-employment benefits	**0.3**	0.2
Share-based payments	**4.9**	2.7
At 31 March	**9.2**	6.3

For the year ended 31 March 2022, during the period of common directorship, the Group generated revenue of £0.1m (2021: £0.1m) relating to Informa plc, a company whose chairman is also Mitie Group plc's non-executive chairman. There were outstanding balances at 31 March 2022 of £0.1m (2021: £nil).

During the year ended 31 March 2022, the Group generated revenue of £0.2m (2021: £0.1m) relating to St James' Place plc, £0.1m (2021: £0.1m) relating to Essentra plc and £nil (2021: £0.6m) relating to SIG plc, companies with non-executive directors who are also Mitie Group plc non-executive directors. The outstanding balances at the year ended 31 March 2022 are £0.1m (2021: £0.1m), £0.1m (2021: £nil) and £nil (2021: £0.5m) respectively. No expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by related parties.

All transactions with these related parties were made on terms equivalent to those that prevail in arm's length transactions.

24. Events after the reporting period

Following the expert's determination, on 8 April 2022, for which the expert sought a legal opinion in relation to the interpretation of the complex Interserve SPA requirements, an agreement was reached on 12 May 2022 for the seller to pay £7.1m to the Group, of which £1.1m was settled during the second half of the year ended 31 March 2022 and £6.0m was settled in May 2022. The resulting £45.6m reduction in the related £52.7m receivable has been treated as an adjusting post balance sheet event and has been recognised in the consolidated income statement and classified as Other items given that the Measurement Period had ended.

On 1 April 2022, the Group announced that it had acquired the entire issued share capital of P2ML Limited (P2ML), a specialist telecoms tower design house, which will further expand its Telecoms Acquisition, Design and Construction (ADC) capabilities. P2ML has market leading expertise in providing design, construction, inspection and maintenance services for cellular telecoms infrastructure, enabling major network operators and tower owners to facilitate upgrades to their estates. This ensures that new technologies, such as 5G, can be implemented and optimised safely and to the highest standard. P2ML will be acquired cash free, debt free, for a transaction consideration of £2.1m, with a normalised level of working capital. The acquisition will be funded from the Group's existing facilities. The initial accounting for the business combination had not been completed at the time the consolidated financial statements were authorised for issue.

On 3 May 2022, the Group announced that it had acquired the entire issued share capital of 8point8 Support Limited, 8point8 Training Limited and Vantage Solutions Limited (collectively 8point8), a leading provider of design and construction services in the UK, predominantly for mobile telecoms tower infrastructure. Total transaction consideration is £10.0m and the acquisition will be funded from the Group's existing facilities. The initial accounting for the business combination had not been completed at the time the consolidated financial statements were authorised for issue.

On 8 June 2022, the Board approved an initial £50.0m share buyback programme over the next 12 months.

On 8 June 2022, the Group entered into a sale and purchase agreement to acquire the entire issued share capital of Custom Solar Ltd ('Custom Solar'), a solar power solutions company specialising in the development, design, installation and maintenance of solar power systems for public and private sector clients. The transaction consideration comprises an initial payment of £8.0m, with deferred payments in aggregate of up to £4.4m by the end of FY25, linked to performance targets. Custom Solar will be acquired cash free, debt free, with a normalised level of working capital. The transaction is expected to complete on 30 June 2022 and will be funded through Group's existing facilities. The initial accounting for the business combination had not been completed at the time the consolidated financial statements were authorised for issue.

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		2022 £m	Restated[1,2] 2021 £m
Operating profit from continuing operations	Statutory measures	**72.1**	4.0
Adjust for: restructure costs	Note 4	**10.9**	24.9
Adjust for: acquisition and disposal related costs	Note 4	**89.3**	33.1
Adjust for: other exceptional items	Note 4	**(5.4)**	(3.2)
Operating profit before other items from continuing operations	Performance measures	**166.9**	58.8
Operating profit from discontinued operations[1,3]	Statutory measures	**19.9**	8.0
Adjust for: restructure costs	Note 4	**–**	0.3
Adjust for: acquisition and disposal related costs	Note 4	**(4.0)**	(2.0)
Adjust for: gain on disposal	Note 4	**(13.0)**	(1.2)
Operating profit before other items from discontinued operations	Performance measures	**2.9**	5.1
Operating profit before other items – Group	Performance measures	**169.8**	63.9

Notes:
1. The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations are re-presented within discontinued operations above. Refer to Note 5.
2. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
3. Operating profit from discontinued operations comprises the profit before net finance Income and tax of £6.9m (2021 restated: £6.8m) and gain on disposal before tax of £13.0m (2021: £1.2m).

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

Operating profit/(loss)	2022 £m Reported results	2022 £m Adjust for: Other items (Note 4)	2022 £m Performance measures	Restated[1,2,3] 2021 £m Reported results	Restated[1,2,3] 2021 £m Adjust for: Other items (Note 4)	Restated[1,2,3] 2021 £m Performance measures
Segment						
Business Services	**89.9**	**17.6**	**107.5**	28.4	19.2	47.6
Technical Services	**8.9**	**21.1**	**30.0**	(9.9)	20.9	11.0
CG&D	**41.9**	**(3.5)**	**38.4**	4.9	5.2	10.1
Communities	**9.0**	**10.9**	**19.9**	15.1	1.5	16.6
Specialist Services	**29.4**	**3.1**	**32.5**	19.8	4.0	23.8
Care & Custody	***8.7***	***1.2***	***9.9***	*5.5*	*1.9*	*7.4*
Landscapes	***8.6***	***0.6***	***9.2***	*7.6*	*0.8*	*8.4*
Waste	***7.4***	***0.9***	***8.3***	*5.4*	*1.3*	*6.7*
Spain	***4.7***	***0.4***	***5.1***	*1.3*	–	*1.3*
Corporate centre	**(107.0)**	**45.6**	**(61.4)**	(54.3)	4.0	(50.3)
Total from continuing operations	**72.1**	**94.8**	**166.9**	4.0	54.8	58.8
Catering	**–**	**–**	**–**	(1.6)	1.6	–
Healthcare	**–**	**–**	**–**	2.1	(2.1)	–
Pest Control	**–**	**–**	**–**	0.7	(0.7)	–
Social Housing	**4.0**	**(4.0)**	**–**	2.0	(2.0)	–
Document Management	**18.8**	**(16.0)**	**2.8**	4.7	–	4.7
Nordics and Poland	**(2.9)**	**3.0**	**0.1**	0.1	0.3	0.4
Total from discontinued operations[4]	**19.9**	**(17.0)**	**2.9**	8.0	(2.9)	5.1
Total Group	**92.0**	**77.8**	**169.8**	12.0	51.9	63.9

Notes:
1. The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations are re-presented within discontinued operations above. Refer to Note 5.
2. The comparatives as at 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
3. Operating profit/(loss) from continuing operations for the year ended 31 March 2021 has been re-presented following the Group reorganising its divisional structure.
4. The reported operating profit from discontinued operations comprises the profit before net finance income and tax of £6.9m (2021 restated: £6.8m) and gain on disposal before tax of £13.0m (2021: £1.2m).

In line with the Group's measurement of profit from operations before other items, the Group also presents its basic earnings per share before other items for continuing operations. The table below reconciles this to the statutory basic earnings per share.

Earnings per share		2022 pence	Restated[1,2] 2021 pence
Statutory basic earnings/(loss) per share	Statutory measures	**3.6**	(0.6)
Adjust for: earnings per share from discontinued operations		**(1.4)**	(0.7)
Statutory basic earnings/(loss) per share from continuing operations		**2.2**	(1.3)
Adjust for: other items per share from continuing operations		**7.0**	4.4
Basic earnings per share before other items from continuing operations	Performance measures	**9.2**	3.1

Notes:
1. The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations for the year ended 31 March 2021 have been re-presented within discontinued operations. Refer to Note 5.
2. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.

Net cash/(debt) and total financial obligations

Net cash/(debt) is defined as the difference between total borrowings and cash and cash equivalents. It is a measure that provides additional information on the Group's financial position. The Group includes the carrying value of its derivative financial instruments in its reported net debt measure as this carrying value represents the fair value of cross-currency interest rate swaps on the US$ private placement notes which form part of the Group's financing liabilities. In addition, restricted cash which is subject to various constraints on the Group's ability to utilise these balances and cash which was held on trust for the CID facility provider, has been excluded from the net cash/(debt) measure.

Total financial obligations (TFO) is defined as the Group's net cash/(debt) including the amount of invoice discounting under the Group's CID facility and the net retirement benefit liabilities. TFO represents all debt-like financing items the Group has made use of at the year end.

A reconciliation from reported figures is presented below:

Net cash/(debt)		2022 £m	2021 £m
Cash and cash equivalents	Statutory measures	**345.2**	196.2
Adjusted for: restricted cash and cash held on trust[1]	Note 17	**(37.5)**	(18.7)
Financing liabilities	Note 18	**(300.6)**	(278.8)
Derivative financial instruments hedging private placement notes		**19.6**	14.6
Net cash/(debt)	Performance measures	**26.7**	(86.7)
Customer invoice discounting facility	Note 13	**(44.5)**	(51.7)
Net retirement benefit liabilities	Note 21	**(12.2)**	(42.5)
TFO	Performance measures	**(30.0)**	(180.9)

Note:

1. As at 31 March 2022, £20.0m cash (2021: £nil) was held across the Group's bank accounts in respect of the CID facility, where cash collected from the Group's customers was held on trust for the CID facility provider. This cash was subsequently remitted to the CID facility provider by 5 April 2022.

The Group uses an average net debt measure as this reflects its financing requirements throughout the period. The Group calculates its average net debt based on the daily closing figures, including its foreign currency bank loans translated at the closing exchange rate for the previous month end. The average net debt includes the fair value of the derivative financial instruments which are used to hedge the US$ private placement notes. This measure showed average daily net debt of £24.7m for the year ended 31 March 2022, compared with £47.1m for the year ended 31 March 2021.

Free cash flow

Free cash flow is a measure representing the cash that the Group generates after accounting for cash flows to support operations and maintain its capital assets. It is a measure that provides additional information on the Group's financial performance as it highlights the cash that is available to the Group after operating and capital expenditure requirements are met. The table below reconciles net cash generated from operating activities to free cash inflow.

Free cash flow		2022 £m	Restated[1] 2021 £m
Net cash generated from operating activities	Statutory measures	**230.2**	22.0
Add: net (increase)/decrease in restricted cash and cash held on trust[2]		**(18.8)**	0.7
Interest received		**0.3**	0.8
Dividends received from joint ventures and associates		**4.0**	0.8
Purchase of own shares		**(13.8)**	–
Purchase of property, plant and equipment		**(15.4)**	(7.6)
Purchase of other intangible assets		**(20.2)**	(14.1)
Disposal of property, plant and equipment		**0.4**	1.0
Capital element of lease rentals paid		**(33.9)**	(28.1)
Free cash inflow/(outflow)	Performance measures	**132.8**	(24.5)

Notes:

1. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
2. As at 31 March 2022, £20.0m cash (2021: £nil) was held across the Group's bank accounts in respect of the CID facility, where cash collected from the Group's customers was held on trust for the CID facility provider. This cash was subsequently remitted to the CID facility provider by 5 April 2022.

Earnings before interest, tax, depreciation and amortisation

Earnings from continuing operations before interest, tax, depreciation and amortisation (EBITDA) is a measure of the Group's profitability. EBITDA is measured as profit/(loss) before tax from continuing operations excluding the impact of net finance costs, Other items, depreciation of property, plant and equipment, amortisation and impairment of non-current assets and amortisation of contract assets.

EBITDA		2022 £m	2021[1] £m
Profit/(loss) before tax from continuing operations	Statutory measures	**52.3**	(13.7)
Add: net finance costs from continuing operations		**19.8**	17.7
Operating profit from continuing operations		**72.1**	4.0
Add: Other items from continuing operations	Note 4	**94.8**	54.8
Operating profit before other items from continuing operations		**166.9**	58.8
Add:			
Depreciation of property, plant and equipment		**41.4**	34.0
Amortisation of non-current assets[1,2]	Note 11	**7.7**	8.4
Amortisation of contract assets		**1.7**	1.7
Impairment of non-current assets[2]	Note 11	**0.8**	1.0
EBITDA	Performance measures	**218.5**	103.9

Notes:

1. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
2. Excludes amounts classified in the consolidated income statement as Other items.

Return on invested capital

Return on invested capital (ROIC) is a measure of how efficiently the Group utilises its invested capital to generate profits. The table below reconciles the Group's net assets to invested capital and summarises how the ROIC is derived.

		2022 £m	Restated[1,2,3] 2021 £m
Net assets	Statutory measures	**425.8**	357.5
Add:			
Non-current liabilities		**241.0**	396.8
Current provisions	Note 15	**54.7**	55.5
Current Private Placement notes[4]	Note 18	**141.0**	–
Deduct:			
Non-current derivative financial assets		**–**	(14.6)
Current derivative financial assets		**(19.6)**	–
Non-current deferred tax assets	Note 16	**(11.1)**	(22.3)
Cash and cash equivalents	Note 17	**(345.2)**	(196.2)
Invested capital	Performance measures	**486.6**	576.7
Continuing operating profit before other items[2,3]		**166.9**	58.8
Tax[2,5]		**(21.5)**	(11.3)
Continuing operating profit before other items after tax[2,5]		**145.4**	47.5
ROIC %[6]	Performance measures	**29.9%**	8.2%

Notes:

1. The comparatives as at 31 March 2021 have been restated for measurement period adjustments in respect of the Interserve acquisition. Refer to Note 2 and Note 20.
2. The Group disposed the Document Management business and operations in the Nordics and Poland during the year ended 31 March 2022. The results of these operations are re-presented within discontinued operations. Refer to Note 5.
3. The comparatives for the year ended 31 March 2021 have been restated for the change in accounting policy for SaaS arrangements as a result of the IFRIC agenda decision. Refer to Note 1.
4. The current portion of the US Private Placement notes has been added back to provide further clarity and comparability of invested capital.
5. Tax charge has been calculated at the effective tax rate for the year on pre-tax profits before other items for continuing operations of 12.9% (2021 restated: 19.2%).
6. The ROIC metric used for the purposes of the Enhanced Delivery Plan (EDP) requires further adjustments under the detailed rules agreed with shareholders.