THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO WHAT ACTION YOU SHOULD TAKE, YOU ARE RECOMMENDED TO SEEK YOUR OWN PERSONAL FINANCIAL ADVICE IMMEDIATELY FROM YOUR STOCKBROKER, BANK, SOLICITOR, ACCOUNTANT, FUND MANAGER OR OTHER APPROPRIATE INDEPENDENT FINANCIAL ADVISER, WHO IS AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE "FSMA") IF YOU ARE RESIDENT IN THE UNITED KINGDOM OR, IF NOT, FROM ANOTHER APPROPRIATELY AUTHORISED INDEPENDENT FINANCIAL ADVISER.

This document comprises: (i) a circular prepared in accordance with the Listing Rules of the Financial Conduct Authority (the "**FCA**") made under section 73A of the FSMA for the purposes of the General Meeting convened pursuant to the Notice of General Meeting set out in Part XVIII of this document; and (ii) a prospectus relating to Mitie Group plc (the "**Company**") prepared in accordance with the prospectus regulation rules of the FCA made under section 73A of the FSMA (the "**Prospectus Regulation Rules**"). This document has been approved by the FCA in accordance with section 87A of the FSMA, will be made available to the public and has been filed with the FCA in accordance with the Prospectus Regulation Rules. This document together with the documents incorporated into it by reference (as set out in Part XVI of this document) will be made available to the public in accordance with Rule 3.2 of the Prospectus Regulation Rules by the same being made available, free of charge, at *https://www.mitie.com/investors/* and at the Company's registered office at 35 Duchess Road, Rutherglen, Glasgow G73 1AU.

The prospectus contained herein has been approved by the FCA, as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). The FCA only approves the prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation; such approval should not be considered as an endorsement of the issuer that is, or the quality of the securities that are, the subject of this prospectus. Investors should make their own assessment as to the suitability of investing in the securities. This document has been drawn up as part of a simplified prospectus in accordance with Article 14 of the Prospectus Regulation.

The Company and its directors, whose names and principal functions appear on page 189 of this document (the "**Directors**"), accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors, the information contained in this document is in accordance with the facts and makes no omission likely to affect its import.

If you sell, have sold or otherwise transferred all of your Shares please send this document and any accompanying documents as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or the transferee.

The distribution of this document into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. In particular, subject to certain exceptions, this document, the enclosures and any other such documents should not be distributed, forwarded to or transmitted in or into the United States, Canada, Australia, Japan, Switzerland, Hong Kong and South Africa or any other jurisdiction where to do so would be unlawful.

---

mitie

Mitie Group plc

(incorporated and registered in Scotland with registered number SC019230)

Proposed acquisition of Interserve Facilities Management

Circular and Notice of General Meeting

And

Proposed issue and application for admission to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange of 248,396,183 Shares

Sponsor	*Financial Adviser*
Jefferies	**Evercore**

A Notice of General Meeting of the Company, to be held at Level 12, The Shard, 32 London Bridge Street, London SE1 9SG, United Kingdom at 11.00 a.m. on 23 November 2020, is set out in Part XVIII of this document. You are able to appoint one or more proxies to exercise all or any of your rights to vote at the General Meeting. Given the UK Government's current guidance on social distancing and restrictions on attendance at public gatherings, you will be unable to attend the General Meeting. Accordingly, you are encouraged to appoint the Chairman of the General Meeting as your proxy to ensure that your vote is able to be cast in accordance with your wishes. The Company is not distributing a hard copy form of proxy unless specifically requested and Shareholders are encouraged to vote electronically. Please see the notes accompanying the Notice of General Meeting for details regarding the methods available to appoint a proxy, which, in each case, must be received by the Registrar, Link Asset Services, by not later than 11.00 a.m. on 19 November 2020 (or, in the case of an adjournment, at close of business two business days before the day of the adjourned general meeting).

The Shares are listed on the Official List maintained by the FCA and traded on the London Stock Exchange's main market for listed securities. Application will be made to the FCA and to the London Stock Exchange for the Consideration Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities, respectively (together, "**Admission**"). It is expected that Admission will become effective and that dealings on the London Stock Exchange in the Consideration Shares will commence at 8.00 a.m. (London time) on the Business Day immediately following the date of Completion which, subject to the satisfaction of the Conditions, is expected to occur on or around 30 November 2020.

No Shares or any other securities in the Company have been marketed to, nor are available for purchase, in whole or in part, by the public in the United Kingdom or elsewhere in connection with Admission. This document does not constitute or form part of any invitation to purchase, subscribe for, sell or issue or any offer to purchase, subscribe, sell or issue any Shares or other securities in the Company.

Your attention is drawn to the letter of recommendation from the Chairman which is set out in Part VII of this document which recommends that you vote in favour of the Resolutions to be proposed at the General Meeting. You should read the whole of this document and any documents incorporated by reference. Your attention is also drawn to Part II **of this document, which sets out certain risks and other factors that should be considered by Shareholders when deciding on what action to take in relation to the Acquisition.**

Jefferies International Limited ("**Jefferies**" or the "**Sponsor**"), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively as Sponsor for the Company and no one else in connection with the Acquisition and Admission, will not regard any other person (whether or not a recipient of this document) as a client in relation to the Acquisition and will not be responsible to anyone other than the Company for providing the protections afforded to its clients, or for providing advice, in relation to the Acquisition or Admission, the contents of this document or any other transaction or arrangement referred to herein.

Evercore Partners International LLP ("**Evercore**" or the "**Financial Adviser**"), which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively for the Company and no one else in connection with the Acquisition and Admission, will not regard any other person (whether or not a recipient of this document) as a client in relation to the Acquisition and will not be responsible to anyone other than the Company for providing the protections afforded to its clients, or for providing advice, in relation to the Acquisition or Admission, the contents of this document or any other transaction or arrangement referred to herein. Neither Evercore nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Evercore in connection with the Acquisition or any statement contained herein or otherwise.

The Sponsor, the Financial Adviser and their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to, the Company, for which they would have received customary fees. Apart from the responsibilities and liabilities, if any, which may be imposed on the Sponsor and the Financial Adviser by the FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Sponsor, the Financial Adviser or any of their respective affiliates, directors, officers, employees or advisers accepts any responsibility whatsoever for, or makes any representation or warranty, express or implied, as to the contents of this document, including its accuracy, completeness or verification, or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Group, the Enlarged Group, the Consideration Shares, the Acquisition or Admission. The Sponsor, the Financial Adviser and their respective affiliates, directors, officers, employees and advisers accordingly disclaim to the fullest extent permitted by law all and any liability whatsoever, whether arising in tort, contract or otherwise, which they might otherwise have in respect of this document or any such statement.

The Sponsor and the Financial Adviser have each given and not withdrawn their consent to the issue of this document with the inclusion of the references to their respective names in the form and context in which they are included.

THE CONTENTS OF THIS DOCUMENT OR ANY SUBSEQUENT COMMUNICATION FROM THE COMPANY, THE SPONSOR, THE FINANCIAL ADVISER OR ANY OF THEIR RESPECTIVE AFFILIATES, DIRECTORS, OFFICERS, EMPLOYEES, ADVISERS OR AGENTS ARE NOT TO BE CONSTRUED AS LEGAL, FINANCIAL OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN SOLICITOR, INDEPENDENT FINANCIAL ADVISER OR TAX ADVISER FOR LEGAL, FINANCIAL OR TAX ADVICE.

Notice to Overseas Shareholders

The release, publication or distribution of this document in jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. No action has been taken by the Company, the Sponsor or the Financial Adviser to permit the release, publication or distribution of this document (or any other offering or publicity materials relating to the Consideration Shares) in any jurisdiction (other than the United Kingdom) where action for that purpose may be required or doing so is restricted by law. Accordingly, neither this document nor any advertisement may be released, published or distributed in any other jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Notice to United States Investors

The Consideration Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered, sold, pledged, transferred or delivered, directly or indirectly, in or into the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There will be no public offer of the Consideration Shares in the United States.

The Consideration Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state's securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities confirmed, passed upon, determined or endorsed the merits of the Acquisition or the Consideration Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence.

The Consideration Shares generally should not be treated as "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and persons who receive securities under the Acquisition (other than "affiliates" as described below) may resell them without restriction under the US Securities Act. Under US securities laws, persons who are or will be deemed to be affiliates (as defined under the US Securities Act) of the Company or Interserve Facilities Management prior to, or of the Company after, the date of Admission may not resell the Consideration Shares received in connection with the Acquisition without registration under the Securities Act, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Whether a person is an affiliate of a company for such purposes depends upon the circumstances, but affiliates of a company can include certain officers and directors and significant shareholders. Sellers who believe they may be affiliates for the purposes of the Securities Act should consult their own legal advisers prior to any resale of Consideration Shares received in connection with the Acquisition.

Notice to All Investors

Capitalised terms have the meanings ascribed to them in Part XVII of this document.

This document is dated 4 November 2020.

TABLE OF CONTENTS

		Page
PART I	SUMMARY	5
PART II	RISK FACTORS	12
PART III	IMPORTANT INFORMATION	40
PART IV	EXPECTED TIMETABLE FOR THE ACQUISITION	46
PART V	ACQUISITION STATISTICS	47
PART VI	DIRECTORS AND ADVISERS	48
PART VII	LETTER FROM THE CHAIRMAN OF MITIE GROUP PLC	49
PART VIII	INFORMATION REGARDING THE ACQUISITION	65
PART IX	INFORMATION ON MITIE GROUP PLC	72
PART X	INFORMATION ON INTERSERVE FACILITIES MANAGEMENT	85
PART XI	HISTORICAL FINANCIAL INFORMATION OF MITIE GROUP PLC	96
PART XII	HISTORICAL FINANCIAL INFORMATION OF INTERSERVE FACILITIES MANAGEMENT	97
PART XIII	CAPITALISATION AND INDEBTEDNESS	172
PART XIV	UNAUDITED PRO FORMA FINANCIAL INFORMATION	174
PART XV	ADDITIONAL INFORMATION	181
PART XVI	DOCUMENTS INCORPORATED BY REFERENCE	211
PART XVII	DEFINITIONS	212
PART XVIII	NOTICE OF GENERAL MEETING	219

PART I

SUMMARY

A. INTRODUCTION AND WARNINGS

A.1.1 *Name and international securities identifier number (ISIN) of the securities*

Mitie Group plc ordinary shares; ISIN code GB0004657408.

A.1.2 *Identity and contact details of the issuer, including their legal entity identifier (LEI)*

The issuer of the Consideration Shares is Mitie Group plc. Mitie Group plc is a public limited company, incorporated in Scotland. Its registered office is at 35 Duchess Road, Rutherglen, Glasgow G73 1AU. The Company's telephone number is + 44(0) 330 678 0710 and its legal entity identifier is 213800MTCLTKEHWZMJ03.

A.1.3 *Identity and contact details of the competent authority approving the prospectus*

This document has been approved by the FCA, as competent authority in the United Kingdom, with its head office at 12 Endeavour Square, London E20 1JN, United Kingdom, and telephone number +44 20 7066 1000, in accordance with the Prospectus Regulation.

A.1.4 *Date of approval of the document*

This document was approved as a prospectus by the FCA on 4 November 2020.

A.1.5 *Warning*

This summary has been prepared in accordance with Article 7 of the Prospectus Regulation and should be read as an introduction to this document. Any decision to invest in the securities should be based on consideration of this document as a whole by the investor. Any investor could lose all or part of their invested capital and, where any investor's liability is not limited to the amount of the investment, it could lose more than the invested capital. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of a Member State, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or if it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in the securities.

B. KEY INFORMATION ON THE ISSUER

B.1 *Who is the issuer of the securities?*

B.1.1 *Domicile, legal form, Legal Entity Identifier (LEI), jurisdiction of incorporation and country of operation*

The issuer of the securities is Mitie Group plc.

Mitie Group plc is incorporated in Scotland, has its registered office in Scotland and its LEI is 213800MTCLTKEHWZMJ03. The Company was incorporated and registered as a private company limited by shares in Scotland on 16 July 1936 with registered number SC019230 under the Companies Act 1929. The Company was re-registered on 16 February 1982 as a public company limited by shares under the Companies Acts 1948 and 1980 with the name Highgate & Job Group plc and subsequently changed its name to Mitie Group plc on 5 October 1989.

B.1.2 *Principal activities*

Mitie is one of the United Kingdom's leading facilities management and professional services companies, with approximately 48,500 employees as at 30 September 2020 and sales of £2.2 billion in FY19/20.

Mitie offers a range of facilities management and professional services, including: engineering maintenance and repair services and projects; energy and carbon management; digital transformation services; manned guarding and technology-based security services; cleaning and environmental services; and front-of-house, vetting and document management services. Mitie also provides specialised services specific to a customer, such as immigration detention and escorting and forensic health services, or that address a specific need or value, such as waste management and landscaping services.

Mitie has a large, diverse customer base. In the private sector, Mitie supports a wide range of customers across a variety of industries, including banking and the professional services, retail and leisure, manufacturing, construction, utilities, transport and logistics, healthcare and pharmaceuticals, industrial, and technology and communications. In the public sector, Mitie is recognised as a strategic supplier to central and local governments, providing essential services to the NHS, local authorities, police forces, schools and universities, as well as strategic and critical government assets and other critical national infrastructure.

On 25 June 2020, Mitie and How Group (a wholly owned subsidiary of Interserve Group Holdings Limited) entered into an agreement for the sale and purchase of Interserve Facilities Management by Mitie. Interserve Facilities Management is a leading UK-focused facilities management business, providing services across multiple end-markets. In the year ended 31 December 2019, Interserve Facilities Management's revenue including share of associates and joint ventures was £1,310.0 million before other items, its total operating profit before other items was £34.0 million and its Adjusted EBITDA was £42.0 million (pre-IFRS 16 basis).

B.1.3 *Major shareholders*

As at 29 October 2020 (being the latest practicable date for Share information prior to the publication of this document), insofar as it is known to the Company by virtue of notifications made pursuant to the Companies Act 2006 and/or Chapter 5 of the Disclosure Guidance and Transparency Rules, the following persons are, directly or indirectly, interested (within the meaning of the Companies Act 2006) in 3 per cent. or more of the Company's issued share capital (being the threshold for notification of interests that will apply to Shareholders as of Admission pursuant to Chapter 5 of the Disclosure Guidance and Transparency Rules):

Shareholder	Number of Shares	Percentage of Share Capital
Silchester International Investors LLP	210,021,726	17.94
FIL Limited	118,990,702	10.16
Brandes Investment Partners LP	97,365,814	8.31
Heronbridge	92,371,843	7.89
Harris Associates L.P.	65,150,843	5.56
Schroders Plc	61,057,616	5.21
BlackRock Inc.	45,621,114	3.90
FMR LLC	42,484,357	3.63
The Vanguard Group Inc	40,403,937	3.45
RWC Partners Limited	40,080,554	3.42

B.1.4 *Key managing directors*

Phillip Bentley is the Chief Executive Officer and Andrew Peeler is the Chief Financial Officer of the Company.

B.1.5 *Identity of statutory auditor*

BDO LLP, with its address at 55 Baker Street, London W1U 7EU, United Kingdom, is the statutory auditor to the Company.

B.2 ***What is the key financial information regarding the issuer?***

The Group

The tables below set out the Group's summary financial information for the periods indicated.

The financial information in the table below has been extracted without material adjustment from Mitie's audited consolidated financial statements as of and for the year ended 31 March 2020 ("**FY19/20**") (the "**2020 Financial Statements**"), audited consolidated financial statements as of and for the year ended 31 March 2019 ("**FY18/19**") (the "**2019 Financial Statements**") and audited consolidated financial statements as of and for the year ended 31 March 2018 ("**FY17/18**") (the "**2018 Financial Statements**"), respectively (as noted).

Summary Consolidated Income Statement Data

	FY19/20			FY18/19(1)			FY17/18(2)		
	Before Other Items	Other Items(3)	Total	Before Other Items	Other Items(3)	Total	Before Other Items	Other Items(3)	Total
					(£ millions)				
Continuing operations									
Revenue	2,173.7	—	**2,173.7**	2,221.4	—	**2,221.4**	2,203.7	—	**2,203.7**
Cost of sales	(1,886.2)	—	**(1,886.2)**	(1,923.9)	—	**(1,923.9)**	(1,894.8)	—	**(1,894.8)**
Gross profit	**287.5**	**—**	**287.5**	**297.5**	**—**	**297.5**	**308.9**	**—**	**308.9**
Administrative expenses	(201.4)	(21.5)	**(222.9)**	(209.3)	(38.0)	**(247.3)**	(219.3)(4)	(97.9)	**(317.2)**(4)
Operating profit/(loss)	**86.1**	**(21.5)**	**64.6**	**88.2**	**(38.0)**	**50.2**	**89.6**	**(97.9)**	**(8.3)**
Finance income	0.4	—	**0.4**	0.2	—	**0.2**	0.2	—	**0.2**
Finance costs	(16.6)	—	**(16.6)**	(14.0)	—	**(14.0)**	(16.6)	—	**(16.6)**
Net finance costs	**(16.2)**	**—**	**(16.2)**	**(13.8)**	**—**	**(13.8)**	**(16.4)**	**—**	**(16.4)**
Profit/(loss) before tax	**69.9**	**(21.5)**	**48.4**	**74.4**	**(38.0)**	**36.4**	**73.2**	**(97.9)**	**(24.7)**
Tax	(11.9)	4.0	**(7.9)**	(13.8)	7.4	**(6.4)**	(12.0)	10.7	**(1.3)**
Profit/(loss) from continuing operations after tax	**58.0**	**(17.5)**	**40.5**	**60.6**	**(30.6)**	**30.0**	**61.2**	**(87.2)**	**(26.0)**
Discontinued operations									
Profit/(loss) from discontinued operations	2.3	47.7	**50.0**	3.1	(2.2)	**0.9**	—	—	—
Profit/(loss) for the year	**60.3**	**30.2**	**90.5**	**63.7**	**(32.8)**	**30.9**	**61.2**	**(87.2)**	**(26.0)**

Notes:

(1) As presented in the 2019 Financial Statements. In accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, the 2020 Financial Statements include Mitie's consolidated income statement for comparative purposes for FY18/19 on a re-presented basis to reflect catering as a discontinued operation.

(2) As presented in the 2018 Financial Statements. In accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, the 2019 Financial Statements include Mitie's consolidated income statement for comparative purposes for FY17/18 on a re-presented basis to reflect the pest control business and social housing repairs and maintenance business as discontinued operations. However, such comparative income statement information for FY17/18 has not been re-presented in the 2020 Annual Report and Accounts and consequently does not reflect catering as a discontinued operation, and therefore such amounts are not directly comparable. Information regarding the catering business's revenue and operating profit (loss) before other items for FY 2017/18 is included in note 3 to the 2019 Financial Statements.

(3) Other items include 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.

(4) Net, including share of profit of joint ventures and associates of £0.8 million, as presented in the 2018 Financial Statements.

Summary Consolidated Balance Sheet Data

	As at 31 March		
	2020	**2019**	**2018**
		(£ millions)	
Assets			
Total non-current assets	507.4	433.1	426.9
Total current assets	535.4	550.8	459.4
Total assets	**1,042.8**	**983.9**	**886.3**
Liabilities			
Total current liabilities	(588.6)	(680.4)	(569.0)
Total non-current liabilities	(373.7)	(315.9)	(341.3)
Total liabilities	**(962.3)**	**(996.3)**	**(910.3)**
Net assets/(liabilities)	**80.5**	**(12.4)**	**(24.0)**
Equity			
Equity attributable to equity holders of the parent	**80.5**	**(12.4)**	**(24.0)**

Summary Consolidated Statement of Cash Flows Data

	FY19/20	**FY18/19**	**FY17/18**
		(£ millions)	
Net cash generated from/(used in) operating activities	50.0	39.8	(9.8)
Net cash generated from/(used in) investing activities	45.6	25.1	(32.1)
Net cash used in financing activities	(79.5)	(16.3)	(27.8)
Net increase/(decrease) in cash and cash equivalents	**16.1**	**48.6**	**(69.7)**
Net cash and cash equivalents at the beginning of the year	108.4	59.8	129.1
Effect of foreign exchange rate changes	0.1	—	0.4
Net Cash and cash equivalents at the end of the year	**124.6**	**108.4**	**59.8**

Interserve Facilities Management

The tables below set out Interserve Facilities Management's summary financial information for the periods indicated.

The financial information in the table below has been extracted without material adjustment from Interserve Facilities Management's historical financial information as of and for the year ended 31 December 2019 ("**FY19**"), 31 December 2018 ("**FY18**") and 31 December 2017 ("**FY17**"), respectively (as noted).

Summary Consolidated Income Statement Data

	FY19			**FY18**[(1)]			**FY17**[(1)(2)]		
	Before other items	**Other items**[(3)]	**Total**	**Before other items**	**Other items**[(3)]	**Total**	**Before other items**	**Other items**[(3)]	**Total**
					(£ millions)				
Revenue including share of associates and joint ventures	1,310.1	46.5	**1,356.6**	1,382.4	46.1	**1,428.5**	1,407.7	35.9	**1,443.6**
Less: share of associates and joint ventures	(78.1)	—	**(78.1)**	(64.3)	—	**(64.3)**	(58.8)	—	**(58.8)**
Combined revenue	1,232.0	46.5	**1,278.5**	1,318.1	46.1	**1,364.2**	1,348.9	35.9	**1,384.8**
Cost of sales	(1,154.1)	(46.9)	**(1,201.0)**	(1,231.7)	(38.1)	**(1,269.8)**	(1,270.4)	(68.4)	**(1,338.8)**
Gross profit/(loss)	**77.9**	**(0.4)**	**77.5**	**86.4**	**8.0**	**94.4**	**78.5**	**(32.5)**	**46.0**
Administrative expenses	(46.4)	(61.4)	**(107.8)**	(49.0)	(79.3)	**(128.3)**	(45.9)	(62.0)	**(107.9)**
Impairment losses on trade receivables	(2.7)	—	**(2.7)**	(1.8)	—	**(1.8)**	(3.9)	—	**(3.9)**
Operating profit/(loss)	**28.8**	**(61.8)**	**(33.0)**	**35.6**	**(71.3)**	**(35.7)**	**28.7**	**(94.5)**	**(65.8)**
Share of associates and joint ventures	5.2	—	**5.2**	3.9	—	**3.9**	3.6	—	**3.6**
Total operating profit/(loss)	**34.0**	**(61.8)**	**(27.8)**	**39.5**	**(71.3)**	**(31.8)**	**32.3**	**(94.5)**	**(62.2)**
Net finance costs	(8.0)	—	**(8.0)**	(8.9)	—	**(8.9)**	(9.4)	—	**(9.4)**
Profit/(loss) before tax	**26.0**	**(61.8)**	**(35.8)**	**30.6**	**(71.3)**	**(40.7)**	**22.9**	**(94.5)**	**(71.6)**
Taxation	(10.8)	4.7	**(6.1)**	(9.6)	6.0	**(3.6)**	(5.9)	9.0	**3.1**
Profit/(loss) for the year	**15.2**	**(57.1)**	**(41.9)**	**21.0**	**(65.3)**	**(44.3)**	**17.0**	**(85.5)**	**(68.5)**

Notes:

(1) Interserve Facilities Management initially applied IFRS 16 Leases at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated, and is therefore prepared in accordance with IAS 17 *Leases and related interpretations*.

(2) Interserve Facilities Management initially applied IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers at 1 January 2018, using the modified retrospective approach. Under this approach, comparative information is not restated and is therefore prepared in

accordance with IAS 11 Construction Contracts, IAS 18 *Revenue (and related interpretations) and IAS 39 Financial Instruments: Recognition and Measurement*.

(3) Other items consist of non-underlying items, amortisation of acquired intangible assets and impairment of goodwill.

Summary Consolidated Balance Sheet Data

	As at 31 December		
	2019	**2018**	**2017**
		(£ millions)	
Assets			
Total non-current assets	569.3	575.9	696.7
Total current assets	485.5	484.2	452.8
Total assets	**1,054.8**	**1,060.1**	**1,149.5**
Liabilities			
Total current liabilities	(517.3)	(428.8)	(462.3)
Total non-current liabilities	(361.3)	(427.9)	(448.5)
Total liabilities	**(878.6)**	**(856.7)**	**(910.8)**
Net assets	**176.2**	**203.4**	**238.7**
Equity			
Equity attributable to equity holders of Interserve Facilities Management	**176.7**	**202.8**	**238.3**

Summary Consolidated Statement of Cash Flows Data

	FY19	**FY18**	**FY17**
		(£ millions)	
Net cash generated from/(used in) operating activities	20.2	31.3	(48.6)
Net cash generated from/(used in) investing activities	9.4	12.7	(1.0)
Net cash used in/(generated from) financing activities	(56.6)	57.4	(13.4)
Net (decrease)/increase in cash and cash equivalents	**(27.0)**	**101.4**	**(63.0)**
Cash and cash equivalents at the beginning of the year	89.4	(12.0)	51.0
Net Cash and cash equivalents at the end of the year	**62.4**	**89.4**	**(12.0)**

Pro forma financial information

The Unaudited Pro Forma Financial Information has been prepared based on the consolidated financial information of Mitie for FY19/20 and the historical financial information of Interserve Facilities Management for FY19. Interserve Facilities Management will be acquired debt-free, cash-free and with an agreed normalised level of working capital at the time of completion.

The *pro forma* financial information has been prepared to illustrate the effect of the Acquisition and the recently concluded Rights Issue on: (i) the consolidated net assets of Mitie as at 31 March 2020 as if the Acquisition and Rights Issue had taken place on 31 March 2020; and (ii) the consolidated income statement of Mitie for the year ended 31 March 2020 as if the Acquisition and Rights Issue had taken place on 1 April 2019. The *pro forma* financial information has been produced for illustrative purposes only in accordance with Article 7 of the Prospectus Regulation. Because of its nature, the *pro forma* financial information addresses a hypothetical situation and, therefore, does not represent Mitie's actual financial position or results. It may not, therefore, give a true picture of Mitie's financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future.

Summary pro forma statement of net assets

		Adjustments			
	Mitie consolidated net assets as at 31 March 2020[(1)]	**Interserve Facilities Management combined net assets as at 31 December 2019[(2)]**	**Acquisition of Interserve Facilities Management[(3)]**	**Proceeds from the Rights Issue[(4)]**	**Pro forma consolidated net assets**
			(£ millions, unless stated otherwise)		
Assets					
Total non-current assets	507.4	569.3	(299.5)	–	777.2
Total current assets	535.4	485.5	(387.2)	190.4	824.1
Total assets	**1,042.8**	**1,054.8**	**(686.7)**	**190.4**	**1,601.3**
Liabilities					
Total non-current liabilities	(373.7)	(361.3)	320.7	–	(414.3)
Total current liabilities	(588.6)	(517.3)	251.9	–	(854.0)
Total liabilities	**(962.3)**	**(878.6)**	**572.6**	**–**	**(1,268.3)**
Net current (liabilities)/assets	(53.2)	(31.8)	(135.3)	190.4	(29.9)
Net assets	**80.5**	**176.2**	**(114.1)**	**190.4**	**333.0**

Notes:

(1) The information in this column has been extracted without adjustment from Mitie Group plc's audited consolidated financial statements for the year ended 31 March 2020, which are incorporated by reference in this document.

(2) The information in this column has been extracted without adjustment from the Interserve Facilities Management Historical Financial Information in this document

(3) The consideration payable to Interserve has been determined on the basis that Interserve Facilities Management will be acquired debt-free, cash-free and with an agreed normalised level of working capital at Completion. This adjustment comprises (i) cash consideration for the Acquisition of £120.0 million, estimated transaction costs of £7.9 million, inclusive of irrecoverable VAT (where applicable) and removal of Interserve Facilities Management cash not acquired of £148.6 million; (ii) adjustments to Trade and other receivables (Current and Non-current), totalling £367.9 million, representing the removal of loan amounts due from Interserve, which will be settled at completion of the Acquisition; (iii) adjustments to Financing liabilities (Current and Non-current), totalling £572.6 million, representing the removal of loan amounts due to Interserve of £486.4 million and bank overdrafts of £86.2 million, which will be settled at completion of the Acquisition; and (iv) adjustments to goodwill arising on the acquisition of £(42.3) million, based on the combined net assets of Interserve Facilities Management as 31 December 2019 before fair value adjustments.

(4) Comprises the gross proceeds of the Rights Issue of £201.3 million, net of estimated transaction costs of £10.9 million inclusive of irrecoverable VAT (where applicable).

Summary pro forma income statement

	Mitie consolidated income statement for the year ended 31 March 2020(1)			Interserve Facilities Management combined income statement for the year ended 31 December 2019(2)			Acquisition and Rights Issue adjustments(3)			*Pro forma* consolidated income statement		
(£ millions, unless stated otherwise)	Before other items	Other items(4)	Total	Before other items	Other items(4)	Total	Before other items	Other items(4)	Total	Before other items	Other items	Total
Revenue including share of associates and joint ventures	2,173.7	–	2,173.7	1,310.1	46.5	1,356.6	–	–	–	3,483.8	46.5	3,530.3
Revenue	2,173.7	–	2,173.7	1,232.0	46.5	1,278.5	–	–	–	3,405.7	46.5	3,452.2
Gross profit/(loss)	287.5	–	287.5	77.9	(0.4)	77.5	–	–	–	365.4	(0.4)	365.0
Total operating profit/(loss)	86.1	(21.5)	64.6	34.0	(61.8)	(27.8)	–	(7.9)	(7.9)	120.1	(91.2)	28.9
Profit/(loss) before tax	69.9	(21.5)	48.4	26.0	(61.8)	(35.8)	–	(7.9)	(7.9)	95.9	(91.2)	4.7
Profit/(loss) from continuing operations after tax	58.0	(17.5)	40.5	15.2	(57.1)	(41.9)	–	(7.9)	(7.9)	73.2	(82.5)	(9.3)
Profit from discontinued operations	2.3	47.7	50.0	–	–	–	–	–	–	2.3	47.7	50.0
Profit/(loss) for the year	**60.3**	**30.2**	**90.5**	**15.2**	**(57.1)**	**(41.9)**	**—**	**(7.9)**	**(7.9)**	**75.5**	**(34.8)**	**40.7**

Notes:

(1) The information in this column has been extracted without adjustment from Mitie Group plc's audited consolidated financial statements for the year ended 31 March 2020, which are incorporated by reference in this document.

(2) The information in this column has been extracted without adjustment from the Interserve Facilities Management Historical Financial Information in this document.

(3) Comprises transaction costs of £7.9 million relating to the Acquisition and has been reported in Other items. The estimated transaction costs of £10.9 million in respect of the Rights Issue have been recognised directly in Equity in accordance with Mitie Group plc's accounting policies.

(4) Mitie Group plc 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 as other items, together with their related tax effect. The historical financial information of Interserve Facilities Management, and the pro forma adjustments above, are presented in this format in the pro forma income statement.

The *pro forma* financial information has been compiled on a basis consistent with the accounting policies of Mitie used to prepare its audited consolidated financial statements for the year ended 31 March 2020 and in accordance with section 3 of Annex 20 of the Prospectus Regulation.

The figures presented for Mitie and for Interserve Facilities Management in the summary pro forma income statement include "Other items", which are reported separately by Mitie due to their size and nature.

The *pro forma* financial information does not take into account trading of Mitie subsequent to 31 March 2020, or of Interserve Facilities Management subsequent to 31 December 2019.

There are no qualifications in the audit opinion on the 2020 Financial Statements incorporated by reference in this document.

B.3 ***What are the key risks that are specific to the issuer?***

The COVID-19 pandemic has impacted Mitie's and Interserve Facilities Management's businesses and is expected, following Completion, to impact the business of the Enlarged Group; the ultimate impact on their businesses and financial results will depend on future developments.

Mitie and Interserve Facilities Management are (and, following Completion, the Enlarged Group will be) exposed to political, social and macroeconomic risks relating to the United Kingdom's exit from the European Union ("**Brexit**").

General economic conditions could adversely affect demand for services provided by Mitie and Interserve Facilities Management (and, following Completion, the Enlarged Group), or their financial performance and other aspects of their businesses.

Mitie and Interserve Facilities Management are (and, following Completion, the Enlarged Group will be) subject to the risk of renegotiation or early termination of customer contracts.

Each of Mitie and Interserve Facilities Management is (and, following Completion, the Enlarged Group will be) subject to the risk of changes in public sector policies, including reduced demand for facilities management services and public sector expenditure levels and budgets.

Each of Mitie and Interserve Facilities Management is (and, following Completion, the Enlarged Group will be) subject to risks associated with bidding for and entering into multi-year and/or fixed-price contracts.

Failure to realise bid opportunities and to secure new contracts and contract renewals can involve significant wasted costs, missed opportunities for growth and loss of revenue and profit.

Each of Mitie and Interserve Facilities Management is (and, following Completion, the Enlarged Group will be) reliant on maintaining its customer base and the continued spending power of that customer base.

The Acquisition is conditional on certain conditions that may not be satisfied.

Mitie may not be or may not have been able to identify all risks associated with the Acquisition, which may result in unexpected liabilities and costs.

The anticipated benefits and targeted synergies in connection with the Acquisition are based on certain assumptions and estimates that may prove inaccurate.

KEY INFORMATION ON THE SECURITIES

C.1 ***What are the main features of the securities?***

C.1.1 *Type, class, ISIN*

The Company is proposing to issue 248,396,183 Consideration Shares in connection with the Acquisition by the Company of Interserve Facilities Management to How Group (being the current shareholder of Interserve Facilities Management) (the "**Seller**") (or pursuant to the terms of the Share Box Agreement, DAC SPV). Application will be made to the FCA for the Consideration Shares to be admitted to the premium listing segment of the Official List of the FCA, and to the LSE for the Consideration Shares to be admitted to trading on the main market for listed securities of the LSE ("**Admission**"). The Consideration Shares will constitute approximately 17.5 per cent. of the enlarged share capital of the Company (excluding treasury shares and assuming no other Shares are issued by the Company prior to Admission) following Admission.

When admitted to trading on the LSE, the Consideration Shares will be registered with ISIN number GB0004657408.

C.1.2 *Currency, denomination, par value, number of securities issued and duration*

The Consideration Shares are denominated in United Kingdom pounds sterling. As at 29 October 2020 (being the latest practicable date prior to the date of this document for Share information), the Company had in issue 1,178,754,935 Shares of 2.5 pence each (fully paid), of which 7,744,359 Shares were registered as treasury shares retaining no voting rights.

C.1.3 *Rights attached to the securities*

The Consideration Shares will, when issued and fully paid, rank equally in all respects with the Existing Shares, including the right to receive all dividends and other distributions made, paid or declared after the date of the issue of the Consideration Shares.

C.1.4 *Rank of securities in the issuers' capital structure in the event of insolvency*

The Shares do not carry any rights as respects to capital to participate in a distribution (including on a winding-up) other than those that exist as a matter of law.

C.1.5 *Restrictions on the free transferability of the securities*

Save as set out in this document, there are no restrictions on the free transferability of the Existing Shares or the Consideration Shares.

C.1.6 *Dividend or pay-out policy*

Earlier in the year, in light of the unprecedented uncertainty due to the COVID-19 pandemic, the Company announced that the Board had concluded that all reasonable steps should be taken to preserve the financial strength of the Company and, accordingly, decided not to recommend a final dividend for FY19/20. The Board continues to monitor the potential of future dividend payments for this financial year and, taking into consideration the interests of all stakeholders, has concluded that in light of the continuing impact of the COVID-19 pandemic it remains prudent for there not to be a resumption of dividend payments at this stage. Therefore, the Board does not expect to declare an interim dividend for HY20/21. However, recognising the importance of dividends to all shareholders, the Board will keep under review the possibility of a resumption of dividends for FY20/21, but only in the event overall trading improves materially during the second half of the financial year.

C.2 ***Where will securities be traded?***

Application will be made to the FCA for the Consideration Shares to be issued and to be admitted to the premium listing segment of the Official List, and to the LSE for the Consideration Shares to be admitted to trading on its main market for listed securities.

C.3 ***What are the key risks that are specific to the securities?***

The price of the Shares may fluctuate and may not always accurately reflect the underlying value of the Enlarged Group's business.

Future sales of substantial amounts of Shares by one or more investors, including by the Seller or future sales by particular persons or the perception that such sales were imminent, could adversely affect the prevailing trading price of the Shares.

D. KEY INFORMATION ON THE ADMISSION TO TRADING ON A REGULATED MARKET

D.1 ***Under which conditions and timetable can I invest in this security?***

Not applicable. This document does not constitute an offer or an invitation to any person to subscribe for or purchase any Shares in the Company. The Consideration Shares are being issued to the Seller or the DAV SPV in consideration for the Acquisition. The Consideration Shares are not being offered to the public.

Application will be made to the FCA for the Consideration Shares to be admitted to the premium listing segment of the Official List of the FCA and to the LSE for the Consideration Shares to be admitted to trading on the main market for listed securities of the LSE. It is expected that Admission will become effective, and that dealings in the Consideration Shares will commence on the Business Day immediately following the date of Completion which, subject to the satisfaction of the Conditions, is expected to occur on 30 November 2020.

If Completion occurs, it will result in the issue of 248,396,183 Consideration Shares to the Seller or the DAC SPV, which will result in the Seller holding in aggregate approximately 17.5 per cent. of the enlarged issued share capital of the Company (excluding treasury shares and assuming no other Shares are issued by the Company prior to Admission) and existing Shareholders of the Company suffering an immediate dilution following which they will hold approximately 82.5 per cent. of the enlarged issued share capital of the Company (excluding treasury shares and assuming no other Shares are issued by the Company prior to Admission).

The aggregate costs and expenses of the Acquisition and Admission (including the listing fees of the FCA and the LSE, professional fees and expenses and the costs of printing and distribution of documents) payable by the Company are estimated to be £7.9 million (inclusive of VAT). Investors will not be charged any expenses by the Company.

D.2 ***Why is this document being produced?***

This document has been prepared in connection with the proposed Admission of the Consideration Shares, which are proposed to be issued to the Seller or the DAC SPV in connection with the Acquisition. There are no conflicting interests that are material to the Admission.

PART II

RISK FACTORS

Any investment in the Company and the Shares carries a number of risks. Prospective investors should review this document carefully and in its entirety (together with any documents incorporated by reference in it) and consult with their professional advisers before acquiring any Shares. You should carefully consider the risks and uncertainties described below, together with all other information in this document and the information incorporated into this document by reference, before making any investment decision.

A number of factors affect the operating results, financial condition and prospects of each of the Company, the Group and/or Interserve Facilities Management and, following Completion, will affect the Enlarged Group. This section describes risk factors considered by the Directors to be material to the Company, the Group and/or Interserve Facilities Management based on information known at the date of this document. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not presently known to the Directors, or which they currently deem immaterial, may also have an adverse effect on the operating results, financial condition or prospects of the Company, the Group and Interserve Facilities Management and, following Completion, the Enlarged Group. If any such risks were to materialise, the price of Shares could decline as a consequence and investors could lose all or part of their investment.

1 RISKS RELATING TO THE BUSINESS AND INDUSTRY IN WHICH MITIE AND INTERSERVE FACILITIES MANAGEMENT OPERATE AND, WITH EFFECT FROM COMPLETION, IN WHICH THE ENLARGED GROUP WILL OPERATE

1.1 Risks related to Mitie's, Interserve Facilities Management's and, with effect from Completion, the Enlarged Group's operations and operating environment

The COVID-19 pandemic has impacted Mitie's and Interserve Facilities Management's businesses, and is expected, with effect from Completion, to impact the business of the Enlarged Group; the ultimate impact on their businesses and financial results will depend on future developments

The outbreak of a novel strain of coronavirus, COVID-19, has spread rapidly and globally across multiple countries around the world, including the United Kingdom. COVID-19 and responsive measures have caused significant social and economic disruption and protracted volatility in international markets and have negatively affected business operations across most public and private sectors. A number of governments have revised GDP growth forecasts for 2020 downward in response to the economic slowdown caused by the spread of COVID-19, and it is possible that the outbreak of COVID-19 could cause a prolonged global economic crisis, recession or depression despite monetary and fiscal interventions by governments and central banks globally.

In the United Kingdom, restrictions have been put in place on travel and transportation and a variety of public and private sector entities are subject to prolonged closures. As a result of these events, each of Mitie and Interserve Facilities Management has seen a significant downturn in some areas of their respective businesses, particularly within the private sector. Customers in sectors such as transport and logistics, manufacturing, and property management have been significantly affected by COVID-19, as have general office-based customers. In particular, Mitie has experienced a reduction in demand for discretionary project work and variable services, such as non-essential maintenance, as customers aim to limit variable expenditure and, in many circumstances, are restricted from utilising facilities managed by Mitie. As these activities have historically been among Mitie's higher margin services, prolonged disruption from COVID-19 may have a significant impact on Mitie's and, with effect from Completion, the Enlarged Group's profitability.

In response to the pandemic and its economic and social impact, many customers have sought to introduce reductions in the scope of services they receive from Mitie, which has negatively impacted revenue over a short period. This reduction in revenue may significantly offset any revenue gains that Mitie generates as a result of increased demand during the course of the pandemic from public sector customers, such as the NHS, and for cleaning and security services from private and public customers, including from food and online retailers in response to changing consumer activity as a result of COVID-19. In addition, demand for these cleaning and security services may also decrease if customers' operating activities are restricted as a result of further governmental action or changes in consumer demand in the coming weeks and months. If operating restrictions remain in place for a significant period of time or, following the easing of restrictions, customers' facilities needs do not return to prior levels, customers may cancel or fail to renew contracts with Mitie, as described in "*Mitie and Interserve Facilities Management are (and, with effect from Completion, the Enlarged Group will be) subject to the risk of renegotiation or early termination of customer contracts*", or bid processes and contract award decisions for targeted customers may be delayed or withdrawn if the disruption caused by the COVID-19 pandemic continues for a significant period of time. Mitie also faces potential exposure to bad debts as a result of the impact of COVID-19 on its customers, in particular in the retail, travel and leisure sectors, or customers may seek longer payment terms.

Interserve Facilities Management has also experienced a reduction in customer demand as a result of the pandemic, which has exposed it to similar risks in relation to its operating activities, projected future service levels and customer relationships. In addition, the extent to which funding levels for Interserve Facilities Management's public sector customers will be impacted by COVID-19 over the longer term cannot be determined at this time. Responsive measures undertaken by the government and future economic factors may negatively impact future tax receipts, which could negatively impact funds available for public sector facilities management services in the future, or government support for public services may lead to changes in demand for facilities management and professional services or the terms on which those services are sought as described in "*Each of Mitie and Interserve Facilities Management is (and, with effect from Completion, the Enlarged Group will be) subject to the risk of changes in public sector policies, including reduced demand for facilities management services and public sector expenditure levels and budgets*".

Each of Mitie's, Interserve Facilities Management's and, with effect from Completion, the Enlarged Group's business operations may also be disrupted if significant portions of its workforce are unable to work effectively, including because of illness, quarantines, government actions, or other restrictions in connection with the pandemic, in particular, if stricter social distancing measures were imposed or there was an extended or subsequent lockdown, any of which could limit the ability to perform services at client locations.

The extent to which the COVID-19 pandemic impacts each of Mitie's, Interserve Facilities Management's and, with effect from Completion, the Enlarged Group's business, results of operations and financial condition will depend on future developments, which are highly uncertain, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic.

For the purposes of the statement in relation to the working capital of Mitie and the Enlarged Group set out in paragraph 19 of Part XV of this document, Mitie has formed its view of a reasonable worst case scenario, using the following COVID-19-specific assumptions:

- The reasonable worst case scenario assumes that the second COVID-19 lockdown announced by the government on 31 October 2020 ultimately results in a three month lockdown, with an impact more severe than the first COVID-19 lockdown, resulting in Enlarged Group revenue being approximately 10 per cent. lower than that recognised in the first COVID-19 lockdown;
- As a result of the restrictions to date and those assumed to occur over the following months, the Enlarged Group's revenue is assumed to decline by approximately 20 per cent. in FY20/21, with variable works and projects being most significantly impacted. Enlarged Group revenue in FY21/22 is expected to remain approximately 10 per cent. below FY19/20 Enlarged Group revenue; and
- Working capital, inclusive of bad debts, excluding the government's "Time to Pay" deferral, is assumed to come under pressure in FY20/21 resulting in a net negative cash flow impact of approximately £115 million in Mitie, and approximately £20 million in Interserve Facilities Management. It is assumed that this dynamic slowly reverses to normalised levels from April 2021 and into FY21/22.

Developments related to the pandemic may differ from these assumptions, and continued spread of the pandemic and measures taken to contain it could cause other risks to impact Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group, heighten the probability or potential impact of known risks such as those described in this Part II, and give rise to other risks that cannot be predicted at this time.

Mitie and Interserve Facilities Management are (and, with effect from Completion, the Enlarged Group will be) exposed to political, social and macroeconomic risks relating to the United Kingdom's exit from the European Union ("Brexit")

In March 2017, the United Kingdom gave notice of its intention to leave the EU under Article 50 of the Treaty on European Union. In October 2019, a withdrawal agreement (the "**Withdrawal Agreement**") setting out the terms of the United Kingdom's exit from the European Union, and a political declaration on the framework for the future relationship between the United Kingdom and European Union was agreed between the UK and EU governments. The Withdrawal Agreement, which became effective on 31 January 2020, includes the terms of a transition or "standstill" period until 31 December 2020, during which time the United Kingdom and European Union will continue to negotiate the terms of a trading arrangement which will apply following the standstill period when the United Kingdom will have formally withdrawn from the European Union but will still be treated for most purposes as an EU member state.

While the UK Government has stated that it will negotiate the terms of a future trading arrangement with the European Union, there is no guarantee that the terms of such arrangement will be ratified by the UK Government or the European Union prior to the end of the standstill period. The ongoing nature of these negotiations has led to volatility in consumer confidence levels and business investment in recent years, which are subject to further change depending on the outcome of continued negotiations between the United Kingdom and the European Union. A significant deterioration in investment levels could negatively impact spending and capital investment by Mitie's customers, including on larger facilities improvement projects, which would negatively impact Mitie's operating performance.

If the standstill period ends with no trading arrangement in place, the result may be significant macroeconomic deterioration, including, but not limited to, decreases in global stock exchange indices, trade wars, increased foreign exchange volatility (in particular a further weakening of the pound sterling and the euro against other leading currencies), decreasing consumer confidence and further decreases to the GDP in the UK. Brexit may impact the ability of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group to find appropriately skilled employees in the United Kingdom or may result in Mitie incurring additional costs to attract and retain skilled employees. As at 31 December 2019, approximately 14 per cent. of Mitie's employees were citizens of non-UK European Union countries. Although Mitie has undertaken initiatives to support these employees' efforts to obtain permanent resident or other right-to-work status, there can be no assurance that Mitie and, with effect from Completion, the Enlarged Group will not lose employees or face difficulty finding and retaining employees (from EU countries or otherwise) following the end of the Brexit transition period.

Brexit also creates risks arising from uncertainty in the regulatory environment of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group. As a significant proportion of the regulatory regime applicable to Mitie and Interserve Facilities Management in the United Kingdom is derived from European Union directives and regulations, Brexit could change the regulatory framework applicable to operations of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

The withdrawal of the United Kingdom from the European Union and uncertainty with regards to its future trading arrangements with the EU continues to create significant political, social, and macroeconomic uncertainty, which could have a material adverse effect on the business, results of operations and financial condition of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

General economic conditions could adversely affect demand for services provided by Mitie and Interserve Facilities Management (and, with effect from Completion, the Enlarged Group), or their financial performance and other aspects of their businesses

Each of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group may be affected by general economic factors outside its control, such as political, financial and economic factors, including the impact of COVID-19 and responsive governmental and social actions being taken. Factors that may affect this operating environment and demand for facilities management services include inflation, business and government spending and potential economic deterioration. Worsening of these conditions may negatively impact the type and level of services (in particular variable and project services, which in some circumstances entail high levels of capital investment by customers) demanded by customers or cause customers to seek to renegotiate or terminate existing arrangements, as described in "*Mitie and Interserve Facilities Management are (and, with effect from Completion, the Enlarged Group will be) subject to the risk of renegotiation or early termination of customer contracts*".

In addition, adverse changes in global economic conditions and uncertainty arising from such changes could reduce access to capital or credit for customers, increase the cost of debt and limit the ability of customers to manage interest rate risks. These factors could negatively impact the degree to which each of Mitie's, Interserve Facilities Management's and, with effect from Completion, the Enlarged Group's customers contract for new business or are able to meet their obligations under existing contracts.

Each of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group is also subject to risks arising as a result of changes in economic conditions that affect its financial position, as described in "*Fluctuations in exchange rates and interest rates, and any failure to hedge effectively against exchange rate and interest rate changes, could negatively impact Mitie, Interserve Facilities Management (and, with effect from Completion, the Enlarged Group)*", and over the longer term could face higher costs or limited availability of credit during significant or prolonged periods of economic instability.

Any of these risks could result in higher operating costs, higher debt and reduced income and could have a negative impact on the business, results of operations and financial condition of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

Mitie and Interserve Facilities Management are (and, with effect from Completion, the Enlarged Group will be) subject to the risk of renegotiation or early termination of customer contracts

Although the majority of Mitie's contracts are long term in nature, in some cases contracts contain termination clauses permitting customers to terminate the contract at their discretion following the expiration of an agreed notice period, which is typically two to six months.

There can be no assurance that customers will not exercise their rights to terminate their contracts prior to expiration or threaten to exercise such rights in order to procure revisions to pricing or other contractual terms (including payment terms, service levels or scope). In addition, events or incidents that lead to customer dissatisfaction, or to changes in customer strategy, circumstances or needs (including COVID-19), could lead to customer attempts to renegotiate existing arrangements and result in changes to Mitie's customer relationships. Similarly, customers may look to renegotiate contracts prior to expiration if approached by a competing facilities management provider. Although migrating services to new facilities management providers can take up to six to twelve months, and many services that Mitie provides are essential for its customers to continue their ongoing operating activities, Mitie faces the risk that the threat of cancellation may lead to material changes to its contractual arrangements and customer relationships.

A number of Interserve Facilities Management's customer contracts contain similar provisions and, as a result, Interserve Facilities Management faces similar risks in relation to customer contracts, including the risk of early termination or renegotiation of customer contracts, and certain significant contracts have ceased in recent years and others may in the future. A number of Central Government & Defence and Communities division services are delivered pursuant to private finance initiative ("**PFI**") arrangements, which may include termination provisions and similar counterparty rights can create additional risks. These PFI arrangements generally relate to the provision of essential services over a significant length of time (up to 20 to 40 years). As such, while they can provide long-term visibility on projected operating activities and revenue, and foster stable relationships with the customer, they may also be subject to termination by the customer and these revenue streams may be difficult to replace. Certain counterparties either have, or may claim to have, termination rights as a result of events of default in connection with the entry of Interserve Plc into administration in 2019. Discussions have taken place and are ongoing in relation to the implementation of waivers of any actual or claimed events of default, and certain of those waivers have already been granted.

Early termination of a contract without adequate compensation, or material renegotiation of contractual terms could result in lower than expected margins or losses under these contracts or, in some cases, compensation on termination being payable. If such termination or renegotiation is related to a material contract or a significant number of smaller contracts, it could have a material adverse effect on the business, results of operations and financial condition of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

Each of Mitie and Interserve Facilities Management is (and, with effect from Completion, the Enlarged Group will be) subject to the risk of changes in public sector policies, including reduced demand for facilities management services and public sector expenditure levels and budgets

In FY19/20, Mitie derived approximately 30 per cent. of its revenue from contracts involving public sector customers, including central government, local authorities and other public sector bodies and agencies. Interserve Facilities Management has historically derived a majority of its revenue from contracts involving public sector customers. These customers may be affected by financial, budgetary, regulatory or political constraints or governmental policies, which could have a significant impact on the size, scope, type, timing and duration of contracts and orders placed by them and, therefore, on the level of business that Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group will derive from such customers.

As a result, a substantial part of the businesses of Mitie and Interserve Facilities Management are (and, with effect from Completion, a substantial part of the Enlarged Group's business will be) dependent on, and susceptible to changes in, local and central government laws, policies, budget priorities and regulatory or political constraints. In particular, these factors may include changes to public or political sentiment regarding public sector outsourcing or changes in local and central government following elections, which may impact public spending restrictions or reductions. Such changes could result in, among other risks, the following:

- a decrease in the number and size of contracts awarded to private companies;
- decisions not to, or to no longer, outsource services or activities;
- delays in placing work;
- cancellation, abandonment or significant reduction in the scope of activities;
- pressure on pricing or margins;
- withdrawal of projects;
- the bringing back "in-house" of services by customers;
- early termination of contracts, lower contract spend than anticipated or adoption of less favourable contracting models; and
- more significant regulatory and legislative barriers in obtaining or maintaining contracts.

For example, it is uncertain to what extent the impact of the COVID-19 pandemic will affect public sector demand and funding levels for facilities management and professional services. Although demand from public sector customers has remained steady since the start of the pandemic (including as a result of continued government efforts to support these service partners, as well as increased demands on public sector bodies such as the NHS as a result of the pandemic), government policy or public sentiment following the pandemic may result in changes to demand or support for outsourced services. Mitie's largest public sector contract due for renewal in the current financial year is with the Cumbrian Collaboration and was recently extended through to March 2021, with a further extension through to March 2022 currently being documented.

Any of these developments could have a material adverse effect on the business, results of operations and financial condition of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

Each of Mitie and Interserve Facilities Management is (and, with effect from Completion, the Enlarged Group will be) subject to risks associated with bidding for and entering into multi-year and/or fixed-price contracts

The profitability of contracts performed by each of Mitie and Interserve Facilities Management depends (and, with effect from Completion, the Enlarged Group will depend), amongst other things, upon its ability to price contracts at a level that is competitive with other companies, while also taking into consideration various factors that impact the margins sought on these contracts, some of which are outside the control of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group (as applicable). This involves correctly assessing and agreeing pricing terms that provide for a fixed level of return on the contract, accurately anticipating the costs of performance (including, in particular, people and IT costs), anticipating the correct volume levels for the service in question, gauging employee and technology requirements and other obligations, evaluating contractual and operational risks, and the likelihood of change of scope by customers. Failure to do so may, in the absence of a contractual mechanism enabling recovery of such costs, expose each of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group to, and require it to bear the risk of, cost overruns.

Upon entry into a long-term contract, each of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group must also successfully manage both day-to-day and long-term operations in order to generate the targeted profit on these contracts, including adequately managing project costs. Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group may also be required to incur significant upfront costs to begin work on a new contract, which may be higher than originally contemplated and which it may be unable to recover. Failure to appropriately manage and price these risks may result in a contract being loss-making during its initial term.

Mitie's customer contracts are typically structured as three to five-year agreements (except in the case of project agreements, which are tied to the projected time to deliver the project), which exposes it to risks arising from its ability to accurately price and bid for contracts. Interserve Facilities Management's customer contracts are also typically structured for the provision of services over a multi-year period, in particular PFI arrangements in the public sector, the majority of which can last over 20 years. Bidding for long-term contracts typically requires management to make judgements on, amongst other things, contract requirements, likely future revenue and costs incurred by Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group (as applicable). Many factors may influence management's judgements, some of which cannot be identified at the time of bidding for and entering into the contract. For example, Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group may overestimate volume or demand or underestimate labour or other resource requirements. As work under these contracts progresses, costs may need to be reduced in order to maintain profitability and margins at acceptable levels. Moreover, contracts may include provisions that prohibit Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group from relying on the information provided by a customer as part of the tender process, which would limit the remedies available to claim relief from the performance of its contract obligations or recover any additional costs incurred if such information were to prove to be incorrect. Therefore, even where the scope of services delivered and/or required proves to be materially different from the bid assumptions, or where information provided by a customer (for example, about the condition of relevant assets or employee and/or associated pension costs) is incorrect or incomplete, Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group (as applicable) may be required to continue to deliver services under the contract with limited ability to adjust its pricing. Such changes in costs or revenue may result in the realised contract margin being lower than that anticipated at the bid stage for a period of time, until Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group (as applicable) is able to either agree new contract terms or take other actions to compensate for the increased costs and/or decreased revenue.

In addition, many of Mitie's contracts limit its ability to terminate the contract, for example permitting termination by Mitie only in instances of fundamental breach or non-payment by the customer. Many of Interserve Facilities Management's contracts contain similar provisions. A contract that remains low-margin for longer than expected or which becomes loss-making for a prolonged period may negatively impact the results of operations and profitability of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group. Contracts that are profitable but may require recognition of a cash outflow under IFRS 15, *Revenue from Contracts with Customers*, such as contracts that require significant up-front mobilisation costs that are only offset over the life of the agreement, may also negatively impact the results of operations of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group. Mitie, Interserve Facilities Management or the Enlarged Group may seek to amend the terms of these contracts. As an alternative, any of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group may seek to terminate any such contracts, although the costs of doing so may make these options unattractive. In addition, some loss-making contracts may have an evergreen feature, which means a customer can renew them automatically, thereby extending the time during which Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group would need to provide services under a loss-making contract. As part of its work to improve the execution of its contracts under its current strategy, Mitie has implemented processes to monitor such costs and changes, enabling it to deliver more predictable performance over the life of the contract. However, there can be no assurance that such processes will be successful in mitigating the risk of inherently complex contracts.

Contracts also typically include performance-related measures for services, with related penalties being imposed on Mitie for non-performance or under-performance. Certain contracts also include cost saving targets or gainshare mechanisms which, if not carefully managed, can impact the profitability of a contract. Mitie and, with effect from Completion, the Enlarged Group may also be exposed to unforeseen changes in the scope, pricing or volumes of existing contracts that may occur as a result of changes in the general business or political landscape of its customers, or as a result of changes in end-customer behaviour, such as innovations in technology. Many of Interserve Facilities Management's contracts contain similar provisions and, as a result, it faces similar risks in performing its contracts.

Any of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group may not be able to accurately predict the costs or revenue, or identify or quantify all the risks associated with its contracts, the complexity of the services provided, or the costs of terminating such contracts, which may result in lower than expected margins or losses under these contracts or the loss of customers, which could have a material adverse effect on the business, results of operations and financial condition of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

Failure to realise bid opportunities and to secure new contracts and contract renewals can involve significant wasted costs, missed opportunities for growth and loss of revenue and profit

A significant number of Mitie's and Interserve Facilities Management's contracts, including renewals of existing contracts, are (and, with effect from Completion, many of the Enlarged Group's contracts are expected to be) awarded through formal competitive bidding processes. The realisation of opportunities for new bids and retenders for existing contracts can involve a lengthy and costly bidding process, particularly for public sector customers. Also, by their nature, large, longer-term contracts are irregular and relatively infrequent in coming to market. As a result, if any of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group is unsuccessful in bidding for such contracts when they become available, or renewing arrangements with existing customers, it could adversely affect its operating and financial performance over a number of years.

Bidding for large and complex contracts is time-consuming, taking months or even years. In addition, there may be a long period between a successful tender and entering into definitive contractual documentation and the commencement of work on a contract, during which period the contract parameters may not be re-evaluated. Moreover, bidding processes are typically competitive, including competition from existing market participants or new market entrants, and may experience additional expense, delay or loss of awarded contracts if its competitors protest or challenge awards of contracts to Mitie or, with effect from Completion, the Enlarged Group. If Mitie fails to realise these opportunities, particularly having invested time and money in the bidding process, it could negatively impact its business, results of operations and financial condition. Interserve Facilities Management faces (and, with effect from Completion, the Enlarged Group will face) similar risks arising from efforts to bid for large and complex facilities management contracts.

Unsuccessful major bids or retenders could result in significant unrecovered bid costs being incurred and may affect the financial performance of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group. The inability to secure a major new contract could represent a significant missed opportunity for growth, and failure to renew existing contracts could lead to loss of significant existing revenue and profit streams. There can be no assurance that Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group will be able to successfully retender for contracts as existing contracts come up for renewal, whether on equally attractive terms or at all. Nine of Mitie's top 20 contracts by revenue for FY19/20 have been due for renewal in FY20/21. Of these nine contracts, Mitie has successfully extended the term of eight such contracts by between 11 and 17 months with the remaining contract being subject to ongoing extension discussions. There is no certainty that Mitie will be successful in this retender process. If any of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group were unable to win new bids for contracts with customers or if its reputation or relationship with customers were impaired, there can be no assurance that it will be able to replace its order book with contracts of similar magnitude or with similar terms. Failure to replace key contracts and/or customers on equivalent terms or at all could have a negative impact on the business, results of operations and financial condition of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

Each of Mitie and Interserve Facilities Management is (and, with effect from Completion, the Enlarged Group will be) reliant on maintaining its customer base and the continued spending power of that customer base

Although Mitie has a large and diversified blue chip customer base, with the majority of individual contracts each contributing less than one per cent. of Mitie's revenue, it is subject to customer concentration risk, with its largest 20 customers accounted for approximately 47 per cent. of its consolidated revenue in FY19/20.

Although Mitie does not believe that the loss of a single customer would have a material adverse effect on its operating results, the loss of several of its larger customers, or the reduction in spending power of its customers, could have a negative impact on revenue and profitability. Mitie experiences turnover in its customer base in the ordinary course of its business, based on, among other things, customers' decisions whether or not to retender for existing services or to hire Mitie for new projects. On average, approximately 20 per cent. of Mitie's contracts are up for renewal in a given year. Ordinary course contractual renewal cycles create risks that Mitie may not be able to retain sufficiently high numbers of existing customers (or retain them at similar service levels), or that it may not win new customers at a higher rate than it experiences losses of, or a reduction in services provided to, existing customers. Customers may decide not to renew existing contracts as they expire, or Mitie may be unable to win new contracts for a variety of reasons. For example, Mitie's operations in a particular industry or service area may be dependent on one or more customers who may contract for services with a competitor of Mitie due to better pricing or contract terms. Large customers or public service customers could also source services from a competitor of Mitie due to better pricing or contract terms. Although Mitie's contract renewal rate in FY19/20 was 90 per cent., if Mitie's reputation or relationship with its customers were impaired, it could have a material adverse effect on Mitie's business, results of operations and financial condition.

Interserve Facilities Management has significant customer concentration, in particular to UK Government and other public sector customers within its Central Government & Defence and Communities divisions. As a result, it is exposed to similar customer concentration risks. The customer relationships of the Enlarged Group, following Completion, are also expected to expose it to customer concentration risks.

In addition, the economic impact of COVID-19 has resulted, and is expected to continue to result, in changes to customer behaviour. In particular, the impact of social distancing and other preventative measures, such as restrictions on travel, on-site working and other business operations, have contributed to a decline in revenues from variable and project works, which are expected to continue while these restrictions remain in place. In addition, customers may seek to exit existing arrangements or fail to renew service agreements as a result of the economic impact of COVID-19 and related measures. See "*The COVID-19 pandemic has impacted Mitie's and Interserve Facilities Management's businesses, and is expected, with effect from Completion, to impact the business of the Enlarged Group; the ultimate impact on their businesses and financial results will depend on future developments*" in this Part II.

Any of the foregoing could have a material adverse effect on the business, results of operations and financial condition of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

Each of Mitie and Interserve Facilities Management operates (and, with effect from Completion, the Enlarged Group will operate) in increasingly competitive markets and any inability to successfully compete could result in a loss of market share and a decline in revenue and profitability

Each of Mitie and Interserve Facilities Management operates (and, with effect from Completion, the Enlarged Group will operate) in increasingly competitive markets and current and prospective customers evaluate each one against the merits and pricing of its competitors. Mitie primarily competes (and, with effect from Completion, the Enlarged Group is expected to operate) on the basis of performance, innovation of technology (including robotic process automation and the gathering and use of data analytics) and price. To implement its strategy, attract new customers and win new contracts, Mitie and, with effect from Completion, the Enlarged Group will need to continue to design, develop, market and support services and technology on a competitive basis. In particular, Mitie and, with effect from Completion, the Enlarged Group will need to continue to focus on investing in technology, processes and infrastructure to leverage growth in digitally enabled solutions. The success of new market entrants, as well as any existing and future competition or competitors deploying new business models, could result in other companies winning new or existing customers from Mitie and, with effect from Completion, the Enlarged Group. If customers perceive any of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group to be less innovative than its competitors, they may choose to award contracts to other service providers as part of the bid tender or retender process. Each of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group may also face increasing competition for tenders, including aggressive pricing actions by its competitors in order to win business, which may impact the margin it is able to earn on its contracts.

Increased competition could also negatively impact renegotiation of terms with existing customers, as contracts are renewed or retendered. This could result in any of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group accepting less profitable contractual terms, or cause it to enter into new contracts at a lower price than would have been historically acceptable.

In addition, as a provider of goods and services to central government, local authorities and other public sector entities, competition for Mitie's, Interserve Facilities Management's and, with effect from Completion, the Enlarged Group's services may be influenced by government policies designed to promote greater diversity of providers and/or new entrants to the market. Bids for public sector contracts are subject to a tender process and, in recent years, governments have sought to widen their choice of contractors, subjecting Mitie and Interserve Facilities Management to a more competitive bid process. Furthermore, policies giving preference to small and medium-sized enterprises or social enterprises and new procurement strategies implemented by customers (including public sector bodies) may place any of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group at a competitive disadvantage and negatively impact its ability to win new bids and retenders of existing contracts.

If any of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group is not able to respond swiftly and efficiently to technological and other changes or to otherwise remain competitive, this could have a material adverse effect on its business, results of operations and financial condition.

Neither Mitie nor Interserve Facilities Management can guarantee (and, with effect from Completion, the Enlarged Group will not be able to guarantee) that it will subsequently recognise as revenue the amounts anticipated from its order book

As at 31 March 2020, Mitie's order book, which represents total secured fixed-term contracted work from Mitie's continuing obligations, had a total aggregate value of £4.3 billion. The significant majority of Interserve Facilities Management's revenue is derived from long-term contracts, and it similarly evaluates its order book in the regular course of operations. There can be no assurance that either of Mitie or Interserve Facilities Management (or, with effect from Completion, the Enlarged Group) will be able to realise the anticipated value of any individual contract in its order book as future revenue or recover the upfront cash outflow necessary prior to the commencement of a new contract. Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group may fail to recognise some or all of the related revenue or cash for a number of reasons, including:

- changes in the volume of demand or costs for goods and services (including Mitie's anticipated staff costs) under the contract;
- failure to mobilise internal or third-party resources in the delivery of contracts;
- failure to deliver contracted services as agreed or at all;
- breach of contract by Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group (as applicable);
- breach of contract by a customer;
- governmental restrictions, including changes in law, policies, budgets and priorities, revocations of required governmental approvals and nationalisation of services, which occur after the date at which Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group calculates the value of its order book, or are imposed before such date without the knowledge of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group (as applicable); and
- cancellation or termination of contracts on grounds of force majeure or for convenience; customer renegotiation of terms or other arrangements; or the occurrence of any condition subsequent that results in cancellation or termination of a contract, after the date at which Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group (as applicable) calculates its order book.

In addition, a significant portion of revenues earned by each of Mitie and Interserve Facilities Management is (and, with effect from Completion, a significant portion of the Enlarged Group's revenues are expected to be) derived from variable services arrangements, some of which are undertaken over the course of multiple financial years. The ultimate scope, value and timing of performance of such variable services can be uncertain and may become subject to change. Therefore, management's expectations of revenue generation may not be a meaningful indicator of the related revenue in any given accounting period.

If realised revenues are significantly lower than projected due to any of the reasons outlined above, it could have a material adverse effect on the business, results of operations and financial condition of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

Each of Mitie and Interserve Facilities Management is (and, with effect from Completion, the Enlarged Group will be) subject to additional risks as a result of the complex nature of some of its contracts

Each of Mitie and Interserve Facilities Management manages and, with effect from Completion, the Enlarged Group will manage a large number of highly complex major contracts and, as a result, unforeseen risks may materialise. The financial and operating performance of Mitie and Interserve Facilities Management depends, and, with effect from Completion, the financial and operating performance of the Enlarged Group will depend, on identifying key issues and risks with respect to these projects and ensuring that the contractual arrangements adequately safeguard it against, or compensate it for, such risks. Each of Mitie's and Interserve Facilities Management's most significant contracts are (and, with effect from Completion, the Enlarged Group's most significant contracts will be) long-term, and it must adapt to changes that occur over the life of such contracts. Unanticipated changes may result in a failure to fully realise contract benefits, lower than expected profitability, unexpected costs to deliver services or failure to perform in line with customer expectations. Each of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group may also be required under its contracts to fund the cost of adapting to, and complying with, regulatory changes.

In addition, certain contracts may not have guaranteed volume requirements and, therefore, revenue and costs can be impacted by fluctuations in volumes. Any failure to meet volume requirements or other service level targets could result in a loss of revenue, in reputational damage or in a customer exercising any number of remedies to which it may be entitled under the contract, including the right to terminate the contract or impose specific performance obligations, claim service credits or compel any of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group to reimburse the customer for the cost of remedial services. This could have a material adverse effect on the business, results of operations and financial condition of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

As a provider of services to central government, local authorities, other public sector bodies and agencies, and utilities, each of Mitie and Interserve Facilities Management is (and, with effect from Completion, the Enlarged Group will be) subject to procurement rules and regulations and procurement delays

For FY19/20, approximately 30 per cent. of Mitie's revenue was derived from contracts with local authorities, central government and other public sector bodies and agencies. Interserve Facilities Management has historically derived a majority of its revenue from contracts involving public sector customers, including 62 per cent. of revenue in FY19. As a provider of goods and services to these customers, each of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group must comply with specific public procurement regulations and other requirements, which are complex, subject to interpretation and can change from time to time. Compliance with these requirements, although mandatory when entering into certain contracts, may increase bidding, performance and compliance costs, even on contracts which are not won. If procurement requirements or "eligibility to bid" criteria change, Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group may not be eligible to bid for such contracts or the costs of bidding for or complying with such contracts could increase and have a negative effect on the financial condition and results of operations of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

Failure to comply with procurement rules and regulations could result in a reduction in the number or value of contracts awarded to Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group, exclusion from future tenders or retenders, or contract modifications or terminations. Failure to comply with these procurement rules and regulations could contribute to Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group being unable to contract with the public sector body or utility concerned either at all or for a period of time and could negatively impact its reputation and ability to win work in the future.

In addition, public sector contracts may require relevant approvals from central government ministers, senior civil servants, central government departments or other public sector entities. It is possible that, due to difficulties obtaining such approvals, certain significant contracts may be delayed before the procurement process has started, during the tender stage, or during the period between being appointed as the preferred bidder and execution of final contracts. Delays in awarding public contracts may also arise from challenges to the award of the contracts by competitors. These matters are beyond the control of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group, and any resulting delays could have a material adverse effect on the business, financial condition and results of operations of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

Certain of Mitie's and Interserve Facilities Management's (and, with effect from Completion, the Enlarged Group's) contracts may contain unfavourable provisions

Mitie's, Interserve Facilities Management's and, with effect from Completion, the Enlarged Group's contracts with central government, local authorities, public sector bodies and agencies or private sector customers with significant bargaining power may contain provisions that give such customers contractual rights and remedies, some of which, although customary in the sectors in which they operate, can be onerous for Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group. These provisions may sometimes include very high or uncapped liabilities (whether as a result of market practice or by operation of law), potentially onerous key performance indicators, onerous remediation or maintenance costs, provisions with respect to liquidated damages, and provisions which give customers a right to take over the assets and/or the management of a contract in certain circumstances. Certain contracts also allow customers to claim extensive costs in the event of termination (for cause) without notice or to terminate contracts at will (without cause), in whole or in part, after expiry of the applicable notice period. If any of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group fails to meet any of the onerous obligations in its contracts, it could be subject to claims for significant damages, which could have a material adverse effect on its business, results of operations and financial condition.

Mitie and Interserve Facilities Management (and, with effect from Completion, the Enlarged Group) could be negatively impacted by a failure to meet contractual performance criteria or customer expectations, including through a failure of subcontractors to fulfil their obligations

The success of each of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group depends on its ability to meet the contractual requirements that it has entered into with its customers. Although the majority of the services provided by Mitie are self-delivered, subcontractors may, from time to time, be employed to assist in the delivery of goods and services under certain contracts. Each of Mitie and Interserve Facilities Management is, and, with effect from Completion, the Enlarged Group will be, therefore, reliant not only on the performance of its own employees but also on the performance of its subcontractors and, in particular, reliant on subcontractors fulfilling their obligations in a timely and satisfactory manner and in compliance with applicable terms and conditions. The ability of subcontractors to meet their obligations may be affected by periods of economic slowdown or recession, or shortages of labour, goods or equipment. If this were to occur, any of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group may be unable to satisfy contractual obligations owed to its customers in accordance with applicable contractual terms, which could result in additional costs in addressing such a problem, termination of contracts and damage to its reputation and relationships with its customers.

Failure to meet the performance criteria of a contract could result in:

- the termination of a contract, claims for loss, or compensation arrangements under the contract being triggered;
- reputational damage; and/or
- an adverse effect on the ability to win retenders for existing customers or new bids for contracts.

In addition, each of Mitie and Interserve Facilities Management is (and, with effect from Completion, the Enlarged Group will be) generally subject to specific procurement requirements, particularly in its contracts with public sector customers, which may, in effect, limit the subcontractors which it may use and the terms upon which it engages subcontractors. Therefore, if any of these subcontractors fail to meet its obligations, Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group may not have readily available alternatives. Any of these events could have a material adverse effect on the business, results of operations and financial condition of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

If Mitie (and, with effect from Completion, the Enlarged Group) is unable to achieve the anticipated benefits of its transformation activities, its business, financial condition and results of operations could be adversely affected

Mitie's and, with effect from Completion, the Enlarged Group's financial performance and future prospects depend significantly on Mitie's ability to continue the implementation of its multi-year transformation programme and revised strategy, including its ability to align its organisational model, cost base and projected strategic growth areas. The COVID-19 pandemic has caused delays to Mitie's implementation of its transformation programme, and there remains uncertainty over the time period during which Mitie will be able to continue these initiatives.

One of Mitie's key priorities is to focus its business on the attractive, growing and profitable markets where it has an established leading sector presence and offering, including by further leveraging its current capabilities to focus on growth, costs and free cash flow across existing and targeted customer relationships. However, there can be no guarantee that demand for Mitie's and, with effect from Completion, the Enlarged Group's services in these sectors, or utilisation of the advanced service capabilities within its Technical Services and Business Services offerings (or in capabilities acquired as part of the Acquisition), will grow at expected rates over the time period anticipated or provide the contract opportunities that Mitie expects. Mitie intends to continue to make a number of improvements to, and investments in, its processes to simplify the organisation and remove certain complexities in processes and systems, however, there can be no assurance that Mitie and, with effect from Completion, the Enlarged Group will be able to successfully deliver this simplification strategy or to do so on its targeted timetable. In addition, although improvements have been made in the contract award and monitoring processes and the implementation of an enhanced post-win operational process, designed to reduce the likelihood of unprofitable contracts, these processes will take time and cost money to implement and may not be wholly successful given the inherent uncertainties and complexities in Mitie's and, with effect from Completion, the Enlarged Group's contracts.

In recent years, Mitie's transformation programme has required one-off project costs of approximately £55 million from strategic projects and technology platform investment and approximately £40 million in exceptional costs, M&A costs and legacy liabilities associated with discontinued businesses, in addition to a reduction in historical off-balance sheet finance of approximately £50 million and investment of approximately £50 million to pay suppliers faster. If either Mitie or, with effect from Completion, the Enlarged Group fails to invest as expected or if it is delayed making such investments, it may be competitively disadvantaged and lose market share in one of its identified growth markets. The success of Mitie's strategy is also contingent upon the continued ability of Mitie's and, with effect from Completion, the Enlarged Group's management and employees to deliver efficient services to customers, to meet customer expectations and demands and to successfully bid for new contracts. There is a risk that customers may decide not to renew existing contracts as they expire or that Mitie and, with effect from Completion, the Enlarged Group may be unable to win new contracts, either as a result of management time being diverted by implementation of the transformation programme or a failure to achieve expected improvements from investments and/or improvements in processes as part of the transformation programme.

In addition, part of Mitie's transformation plan involves monitoring its markets for acquisition opportunities in core service areas. The identification of acquisition targets, and the acquisition and integration processes, may create risks for Mitie and, with effect from Completion, the Enlarged Group, including difficulties in identifying potential acquisition opportunities that support core service areas, undertaking acquisition and, in particular, integration processes, and ongoing management of the business and service delivery. The integration of acquired businesses and any unexpected delays may be costly or fail to achieve the targeted benefits, lead to difficulties in delivering as expected on contracts and maintaining effective internal controls during assimilation processes, or require the diversion of management and employee time and attention from other business concerns. In addition, it may be difficult to manage the integration without adversely affecting Mitie's existing operations, customer relationships and reputation. See "*The Enlarged Group may experience difficulties in integrating the existing business carried on by Mitie and Interserve Facilities Management*" in this Part II.

In the event that Mitie or, with effect from Completion, the Enlarged Group is unable to achieve one or more of the anticipated benefits of its transformation programme, this could have a material adverse effect on its growth prospects and future profitability. Furthermore, depending on changing market, operational and financial conditions and management's future expectations, Mitie or, with effect from Completion, the Enlarged Group may decide to alter or discontinue certain aspects of its stated strategy, which may have a negative impact on its results in the future.

Mitie (and, with effect from Completion, the Enlarged Group) may be unable to achieve expected cost reductions and operational efficiencies targeted as part of its transformation programme

Part of Mitie's transformation programme involves operational efficiency. This includes reducing general and administrative expenses, standardising and investing in processes and systems, and the use of offshoring and automation. These initiatives have delivered approximately £45 million of run-rate savings across personnel, improved information services, systems and finance functions, consolidating supplier spend and reduced reliance on contractors to date, and Mitie aims to further leverage its current capabilities to focus on costs as one of the three pillars of its transformation programme. There can be no assurance that Mitie or, with effect from Completion, the Enlarged Group will be successful in achieving these cost savings on the expected timetable, at expected levels or at all. The Acquisition may also negatively impact Mitie's ability to achieve the expected benefits of the transformation programme, including for reasons described in "*Risks Related to the Acquisition*" in this Part II.

In addition, Mitie's operations and competitive position are (and, with effect from Completion, the Enlarged Group's operations will be) dependent on the procurement, development and implementation of digital solutions. Mitie and, with effect from Completion, the Enlarged Group may not be successful in anticipating, managing or adopting technological changes on a timely basis, which could reduce profitability or disrupt operations, and could negatively impact its ability to win new contracts and meet customer expectations. For example, there has been a recent push to implement cloud technology and automation as part of Mitie's customer management offering, and Mitie aims to drive efficiencies from improved customer-facing and internal technological capabilities. Mitie intends to continue investment in modernising its technology infrastructure, in particular in Technical Services as part of Project Forte, which will require Mitie and, with effect from Completion, the Enlarged Group to incur costs that may offset the cost savings it aims to achieve. There can be no assurance that these investments will be successful in achieving the anticipated operational efficiencies on its targeted timetable or at all, which could have a material adverse effect on the business, results of operations and financial condition of Mitie and, with effect from Completion, the Enlarged Group.

Failure of Mitie's or Interserve Facilities Management's (or, with effect from Completion, the Enlarged Group's) information technology ("IT") systems, data security and/or data protection policies may result in losses

Each of Mitie's and Interserve Facilities Management's operations are (and, with effect from Completion, the Enlarged Group's operations will be) dependent on the efficient operation of its IT systems and processes, certain aspects of which it has developed internally. As a result, Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group face the risk that IT systems used or developed internally or externally may fail and/or that sensitive information held by them may be lost or compromised, whether as a result of, among other things, human error, inadequate internal or external processes or systems, or failure in IT infrastructure. Unexpected costs and losses can also arise due to natural and other catastrophes and external events beyond Mitie's, Interserve Facilities Management's and, with effect from Completion, the Enlarged Group's control. Each of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group may also be affected by the performance failures of third parties, including third-party providers of services that support its IT infrastructure. Significant problems with IT infrastructure could halt or delay any of Mitie's, Interserve Facilities Management's or, with effect from Completion, the Enlarged Group's ability to provide services to its customers, hinder its ability to conduct and expand its business and result in significant remediation costs.

In the normal course of business, each of Mitie and Interserve Facilities Management collects, processes and retains (and, with effect from Completion, the Enlarged Group will collect, process and retain) sensitive and confidential information about its customers, employees and operations. Hacking, phishing attacks, ransomware, insider threats, physical breaches or other actions may cause this confidential information to be misused. If any such risks materialise, Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group may face significant challenges and incur significant costs related to co-ordination with third-party service providers to resolve these issues. Each of Mitie and Interserve Facilities Management has (and, following the completion of integration activities post-Completion, the Enlarged Group will have) programmes in place that are intended to detect, contain and respond to cybersecurity breaches, and that provide employee awareness training regarding cyber risks; however, due to evolving and advanced sophisticated attack vectors, cyber-attacks remain increasingly difficult to detect and defend successfully. Any cybersecurity breach of systems maintained or used by Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group could lead to reputational damage, exposure to the risks of litigation and liability or business disruptions, even if the breach is the fault of a third-party service provider.

Although measures have been put in place to protect Mitie's, Interserve Facilities Management's and, with effect from Completion, the Enlarged Group's IT systems, including business continuity and disaster recovery plans, cybersecurity and backup protocols, there can be no assurances that these will be adequate in managing such risks and/or sufficient in preventing a loss of sensitive information. For example, Interserve was subject to a cyber-attack that was announced by Interserve on 13 May 2020. The attack affected elements of Interserve's IT systems (including enterprise resource planning and human resources systems), including elements related to Interserve Facilities Management. Once the cyber-attack was discovered, Interserve commenced work with the National Cyber Security Centre and Strategic Incident Response teams to investigate, contain and remedy the situation, which is now largely complete. Interserve has also notified the Information Commissioner ("**ICO**") of the incident as discussed further below (see "*Data privacy compliance breaches or failure to protect confidential information could harm the reputation of Mitie and Interserve Facilities Management (and, with effect from Completion, the Enlarged Group) and create exposure to litigation or other legal or regulatory actions*" in this Part II). In addition, the attack contributed to disruption to Interserve Facilities Management internal financial reporting processes caused by the COVID-19 pandemic, though access to required data has been restored.

An information security breach could have a number of adverse consequences, including: censure and fines by national regulators; loss of confidence in the "Mitie" or "Interserve Facilities Management" brand and the reputation of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group; specific loss of trust by customers, especially those in government and financial sectors; and disruption to service delivery and integrity.

Given the nature of its business, Mitie continuously evaluates and implements upgrades to its IT infrastructure, and it (and, with effect from Completion, the Enlarged Group) may incur additional costs to remain at the forefront of technological development to manage the security of its IT systems and infrastructure. Technology developments and IT upgrades comprise a key part of Mitie's transformation programme, including developments of Mitie's internal systems and capabilities across customer service, finance, personnel and other functions, as well as customer-facing invoicing and service management programmes. There are inherent risks associated with upgrading such systems, including accurately capturing data and system disruptions. While Mitie believes it takes appropriate actions to mitigate these risks through testing, training, and staging implementation, there can be no assurances that it will successfully launch these systems as planned or that the systems will be implemented without disruptions to its operations and, with effect from Completion, the operations of the Enlarged Group.

Failure to manage risks arising from reliance on its IT infrastructure and systems or to manage them in an efficient manner by any of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group, could cause significant disruptions to its operations, affect the accuracy of its reporting, cause delays and potentially lead to reputational damage, all of which could have a material adverse effect on the business, results of operations and financial condition of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

Data privacy compliance breaches or failure to protect confidential information could harm the reputation of Mitie and Interserve Facilities Management (and, with effect from Completion, the Enlarged Group) and create exposure to litigation or other legal or regulatory actions

Each of Mitie and Interserve Facilities Management is (and, with effect from Completion, the Enlarged Group will be) subject to a number of laws relating to privacy and data protection, including, in particular, the General Data Protection Regulation (Regulation (EU) 2016/679) ("**GDPR**") the United Kingdom's Data Protection Act 2018 and the EU Privacy and Electronic Communications Regulations. Such laws govern Mitie's, Interserve Facilities Management's and, with effect from Completion, the Enlarged Group's ability to collect, use and transfer personal data, including data relating to its customers and business partners, as well as any such data relating to its employees and others. In processing services and transactions, each of Mitie and Interserve Facilities Management receives and stores (and, with effect from Completion, the Enlarged Group will receive and store) a large volume of personal data. Each of Mitie and Interserve Facilities Management also relies (and, with effect from Completion, the Enlarged Group will rely) on third-party service providers to collect and process certain personal data and to maintain certain databases. Therefore, each of Mitie and Interserve Facilities Management is (and, with effect from Completion, the Enlarged Group will be) exposed to the risk that such data could be wrongfully appropriated, lost or disclosed, damaged or processed in breach of privacy or data protection laws. See "*Failure of Mitie's or Interserve Facilities Management's (or, with effect from Completion, the Enlarged Group's) information technology ("IT") systems, data security and/or data protection policies may result in losses*" in this Part II.

As discussed above, on 13 May 2020 Interserve announced that it was subject to a cyber-attack, which it reported to the ICO on 5 May 2020. The ICO has advised that it considers it likely that Interserve or members of Interserve Group (which could include Interserve Facilities Management) are in breach or likely to be in breach of certain articles of the GDPR and that Interserve or members of the Interserve Group (which could include Interserve Facilities Management) are likely to be subject to regulatory action in respect of the matter, which could result in a remedial order or fine. The ICO investigation is ongoing. If regulatory action is taken against Interserve Facilities Management, it could result in a remedial action or fine being imposed on Interserve Facilities Management following Completion. Although the results of the ICO investigation cannot be predicted, the GDPR permits fines to be imposed of up to 4 per cent. of the relevant company's global turnover for the preceding financial year. As a result, there is a risk that, while the ICO has not historically issued fines under the GDPR at or close to the maximum level permissible and has legal obligations under the GDPR to act proportionately in taking any enforcement action, if a fine is imposed on Interserve Facilities Management, it could be liable for a penalty that materially exceeds the total level of indemnity protection provided by How Group in the Share Purchase Agreement, which is capped at £40 million. The level of any such fine would likely depend on a number of factors, which could include the nature and duration of the data breach, the defences and resources that had been put in place to prevent a data breach and the likelihood that the data breach will cause a detriment to the data subjects. Mitie currently does not have sufficient visibility over the status of the ICO's investigation or the circumstances that gave rise to the data breach to make a reasonable assessment as to whether remedial action or a fine will be imposed on Interserve Facilities Management, the potential level of any such fine, or the likelihood that it will exceed the total indemnity protection in place under the Share Purchase Agreement (see "*There are limits on the Company's recourse against How Group in the event of a breach of the Share Purchase Agreement*" in this Part II).

Mitie has invested in a dedicated data privacy function to manage risks and processes associated with privacy and data protection. Although each of Mitie and Interserve Facilities Management strives to comply with all applicable laws and regulations relating to privacy and data protection, such laws are subject to frequent evolution and, following Brexit, it is expected that the data collected and processed by Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group will be subject to regulation by a different regulator in the United Kingdom to the EU. It is possible that applicable privacy and data protection laws and regulations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another or may conflict with other rules or Mitie's, Interserve Facilities Management's and, with effect from Completion, the Enlarged Group's practices. That concern is particularly relevant for the GDPR, given that it only recently came into force and that different Member State regulators may differ as to its interpretation and their approach to enforcement, and for the Privacy and Electronic Communications Regulations, which are currently under review.

Any perceived or actual failure by any of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group, including their respective third-party service providers, to protect confidential data or any material non-compliance with privacy or data protection or other consumer protection laws or regulations may harm its reputation and credibility, adversely affect revenue, reduce its ability to attract and retain customers, result in litigation or other actions being brought and the imposition of significant fines and, as a result, could have a material adverse effect on the business, results of operations and financial condition of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

Damage to any of Mitie's or Interserve Facilities Management's (or, with effect from Completion, the Enlarged Group's) reputation or negative publicity could have a material adverse effect on its business, results of operations and financial condition

Each of Mitie's and Interserve Facilities Management's business is (and, with effect from Completion, the Enlarged Group will be) dependent upon its ability to retain and develop long-term relationships with customers, which is in large part reliant on its reputation. Each of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group may be vulnerable to adverse market perception because it operates in sectors where integrity and customer trust and confidence are particularly important. There has in recent years been significant public scrutiny and/or controversy arising from the outsourcing of politically or socially sensitive services, and the increased use of social media has heightened this risk.

Each of Mitie's, Interserve Facilities Management's and, with effect from Completion, the Enlarged Group's reputation may suffer harm as a result of the actions of others that provide services in the same or similar sectors. For example, Mitie's, Interserve Facilities Management's and, with effect from Completion, the Enlarged Group's reputation may be affected by the negative publicity created by the compulsory liquidation of UK construction services company, Carillion, in January 2018, which led to significant concern about the financial strength and viability of companies operating in the outsourced services sector. Any actual or perceived weaknesses in Mitie's, Interserve Facilities Management's and, with effect from Completion, the Enlarged Group's financial position could negatively impact its relationships with potential and existing customers and suppliers, including the terms on which it is able to access finance in the future.

Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group may also attract attention from time to time where misconduct has been alleged and/or where claims have been made about operational performance. In the last five years, there has been a degree of negative publicity in relation to public sector contracts generally, which has been focused on customer policies and how such policies have been implemented, rather than company-specific operational issues. Actual or perceived defects in Mitie's, Interserve Facilities Management's or, with effect from Completion, the Enlarged Group's performance under any of its contracts, in particular if at a high-profile location or site with substantial historical or cultural significance, could be used as evidence of the inappropriateness of outsourcing in general or to Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group specifically, which could have a negative impact on its business.

Each of Mitie's, Interserve Facilities Management's and, with effect from Completion, the Enlarged Group's reputation may also be impacted by its failure to deliver contracts or undertake operating activities to the standards expected by its customers, which may lead to customers turning to competitors for tenders of new contracts or retenders of existing contracts or, in some cases, to seek to terminate contracts with Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group prior to their expiration. For example, customers, employees and other stakeholders are increasingly conscious of the environmental, social and governance impact of businesses and counterparties. Mitie's, Interserve Facilities Management's and, with effect from Completion, the Enlarged Group's operating activities may not in all circumstances meet the expectations of its customers or other parties, which could negatively impact its reputation. In addition, the reputation of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group may be negatively affected by actions taken by its employees. Any incident where a Mitie, Interserve Facilities Management or, with effect from Completion, Enlarged Group employee or contractor fails to adhere to internal policies and procedures or culture and values could lead to reputational damage amongst key stakeholders.

Damage to Mitie's, Interserve Facilities Management's or, with effect from Completion, the Enlarged Group's reputation, whether as a result of actual or perceived issues with its performance or otherwise, has the potential to severely impact its ability to bid on or retender for contracts and win or retain business streams, and therefore could have a material adverse effect on its business, financial condition and results of operations.

Mitie's or Interserve Facilities Management's (or, with effect from Completion, the Enlarged Group's) business could be adversely affected by a negative customer audit or investigation by government entities, agencies or regulators

Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group may, in the ordinary course of business, directly or indirectly through its customers, be subject to customer audit and investigation by government bodies, agencies or regulators. Depending on the type of audit or investigation, these entities and regulators may review the performance of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group under its contracts, cost structure and compliance with applicable laws, regulations and standards. Such entities and regulators may also review the adequacy of, and compliance with, internal control systems and policies. If an audit uncovers inadequate internal control systems and policies, improper allocation of costs to a specific contract, or any improper or illegal activities, Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group (as applicable) may be subject to enhanced scrutiny, may be unable to obtain reimbursement for costs that have been deemed improperly allocated (or may be required to refund such amounts if already paid), or may have civil and criminal penalties and administrative sanctions imposed upon it, including termination of contracts, forfeitures of profits, suspension of payments, contractual penalties or other payments, fines and suspension or prohibition on doing business with the relevant central government or local authorities. Accordingly, any such negative audit or investigation could materially affect the competitive position, financial condition and results of operations of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

Each of Mitie's and Interserve Facilities Management's operations are (and, with effect from Completion, the Enlarged Group's operations will be) dependent upon its ability to retain key management, to attract skilled personnel and to maintain good employee relations

Each of Mitie's, Interserve Facilities Management's and, with effect from Completion, the Enlarged Group's future success is dependent on its ability to attract and retain key management and suitably qualified people to execute its strategy and foster its culture. Any inability to recruit, retain and reward suitably talented employees, as well as failure to implement appropriate development plans and consistent processes across the business could negatively impact the operational and financial performance of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group and its ability to win future opportunities and grow the business.

In some of the sectors in which Mitie and Interserve Facilities Management operate (and, with effect from Completion, the Enlarged Group will operate), there is a scarcity of resources for key positions and ongoing competition for suitably qualified and experienced personnel from other companies and organisations. In some cases, Mitie competes and, with effect from Completion, the Enlarged Group will compete for employees with businesses in other sectors that may be more profitable and offer higher salary levels or otherwise be more attractive to potential employees, which may put it at a competitive disadvantage.

Senior management has contributed to Mitie's ability to obtain, generate, manage and develop customer relationships and revenue opportunities and to implement its programme of transformation activities. Mitie is (and, with effect from Completion, the Enlarged Group will be) therefore reliant on a defined group of key personnel. The continuing success of Mitie depends (and, with effect from Completion, the Enlarged Group will depend) on its ability to retain qualified and experienced management and plan for management succession.

As at 30 September 2020, Mitie employed approximately 48,500 people, and its ability to undertake facilities management services at a high level depends on fostering and maintaining a supportive, inclusive and flexible culture. The breadth of Mitie's operations can create challenges to maintaining a consistent culture, and failure to do so could have a negative impact on employee retention and customer service levels. In addition, as at 31 August 2020, Interserve Facilities Management employed approximately 29,000 people, and these risks may increase as a result of the Acquisition. In addition, a number of Mitie's and Interserve Facilities Management's respective employees operate under collective bargaining agreements or as part of works councils. These arrangements may result in additional labour costs or more extensive obligations and procedures in relation to employees. Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group may become subject to additional collective bargaining agreements in the future or its non-unionised workers may unionise, all of which may have an adverse effect on its costs, operations and business. Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group may also be subject to labour disputes with these employees. There can be no assurance that Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group will be able to manage labour relations to minimise disruption to customer service in the future.

Each of Mitie and Interserve Facilities Management relies (and, with effect from Completion, the Enlarged Group will rely) on vendors, suppliers and other third parties in the ordinary course of its operations, and any failure on the part of these third parties could have a material adverse effect on its business, results of operations and financial condition

Each of Mitie and Interserve Facilities Management relies (and, with effect from Completion, the Enlarged Group will rely) on third parties for various aspects of its operations, including the provision of vehicles, supplies used in the provision of facilities management and professional service activities, and other key equipment and goods, as well as the provision of IT software and services and other back-office services. If these third parties fail to perform their obligations in a timely manner or at satisfactory quality and cost levels, Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group may fail to deliver on contracts successfully, its reputation could suffer, and/or its costs could increase. The COVID-19 pandemic has caused disruption to supply chains globally, which has required Mitie to work closely with suppliers to maintain access to the products it uses to serve its customers, but significant shortages could negatively affect Mitie's and, with effect from Completion, the Enlarged Group's ability to undertake contracted work. The ability of these third parties to perform may be largely outside Mitie's control. Interserve Facilities Management also faces risks arising from availability of supply due to the COVID-19 pandemic. In addition, COVID-19 may cause suppliers to seek accelerated payments.

Mitie strives to formalise agreements with vendors, suppliers and other third parties that define their expected service levels. In the event that one or more of these third parties fails to perform, ceases operations or becomes insolvent, replacement services may not be readily available on equivalent terms, or at all. If a third-party vendor or supplier fails to perform adequately, Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group may be required to incur remedial costs, experience delays or be subject to negative publicity. Moreover, regulatory compliance issues or significant changes in the competitive marketplace among vendors, suppliers or other third parties could force Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group to renegotiate existing agreements on less favourable terms.

Much of Mitie's software and technology systems are licensed from third parties or rely upon software or programmes licensed from third parties, and Interserve Facilities Management also utilises a variety of software applications and programmes licensed from third parties. These include licensing agreements with major software providers. If such third-party licensors were to terminate, limit the scope of, or increase the fees of the relevant licences, or if Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group is found not to be in compliance with certain licensing requirements under the respective agreement, it could be forced to identify an alternative provider, which could include modification of systems or processes. Any such changes could be costly or interrupt operating activities, which could have a material adverse effect on the business, financial condition and results of operations of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

Each of Mitie and Interserve Facilities Management is (and, with effect from Completion, the Enlarged Group will be) subject to risks in relation to the health and safety of its employees and environmental impact

Each of Mitie and Interserve Facilities Management is committed to protecting the health, safety and well-being of those who work for or with it, as well as those who come into contact with its operations and monitoring the environmental impact of its operations. Mitie uses a systematic approach to managing health, safety and environmental impact that is consistent with internationally recognised standards and monitors performance regularly and intervenes if performance does not meet the continual improvement targets it sets. There can be no assurance, however, that these measures utilised by Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group will be successful in managing health and safety challenges across its operations or meeting environmental goals across the business.

If there is a serious breach of health, safety or environmental controls or obligations, an incident which requires any of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group to respond to a health and safety situation or an incident which requires it to investigate whether such controls or obligations were appropriately followed, it could disrupt business operations, have a negative reputational impact and lead to additional costs, including in the form of penalties or remediation costs. Failure to prevent or respond effectively to such breaches could have a material adverse effect on the business, results of operations and financial condition of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

Failure to comply with laws, regulations and restrictions may result in fines or other sanctions being levied on Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group

Each of Mitie and Interserve Facilities Management is (and, with effect from Completion, the Enlarged Group will be) subject to the laws, regulations and restrictions of the United Kingdom and the other countries in which it operates. These include anti-corruption laws (such as the UK Bribery Act 2010), economic sanctions programmes, tax laws, labour laws, data protection regulation, consumer protection regulations and regulations specific to participants in the defence and security sector. Mitie is also, as a consequence of its Shares being admitted to the premium listing segment of the Official List of the FCA, subject to further rules and requirements. In addition, a number of the contracts entered into by Mitie and Interserve Facilities Management are (and, with effect from Completion, contracts entered into by the Enlarged Group will be) subject to regulation by the FCA.

Each of Mitie and Interserve Facilities Management incurs, and expects to continue to incur, substantial costs and expenditures, and commits a significant amount of management time and resources, to comply with increasingly complex and restrictive laws and regulations. In FY18/19, Mitie incurred £1.1 million (FY17/18: £2.3 million) in legal and professional costs in connection with (i) an investigation by the Financial Reporting Council (the "**FRC**") into the treatment of healthcare goodwill and accrued income in the consolidated accounts for FY15/16 (which investigation was discontinued on 20 November 2017 without any action being taken against Mitie) and (ii) an investigation by the FCA into the timeliness of a profit warning announced in September 2016 and the manner of preparation and content of its financial information, position and results for FY15/16 (which investigation was discontinued on 26 June 2018 without any action being taken against Mitie), as well as Mitie's internal investigations into these matters. Any future investigations could incur additional costs and require significant management time and resources.

Each of Mitie and Interserve Facilities Management has also implemented codes of conduct, internal controls and other policies to ensure compliance. Changes in such laws and regulations may constrain each of Mitie's, Interserve Facilities Management's and, with effect from Completion, the Enlarged Group's ability to provide services to customers or increase the costs of providing such services. Each of Mitie's, Interserve Facilities Management's and, with effect from Completion, the Enlarged Group's systems may not detect all applicable new or amended laws and regulations or it may fail to implement all necessary changes, including by the effective date of such laws or regulations. Each may also fail to implement such changes successfully, including in relation to newly acquired businesses. Furthermore, internal control systems of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group, no matter how well designed and updated, can provide only reasonable assurance that compliance-related problems will be detected. Mitie has, in the past, experienced such failures, including in relation to breaches of financial controls in certain contracts.

A failure to comply with applicable laws and regulations could result in civil penalties, including fines, disgorgement of profits, denial of export privileges, injunctions, asset seizures, debarment from government contracts (and termination of existing contracts) and revocations or restrictions of licences, as well as criminal fines and imprisonment, and could negatively impact Mitie's, Interserve Facilities Management's or, with effect from Completion, the Enlarged Group's reputation. Due to the public nature of many of the services provided by each of Mitie and Interserve Facilities Management, actions by employees, even outside the work environment, can affect its reputation. Failure of the internal control system to manage such risks could have a material adverse effect on the business, results of operations and financial condition of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

The termination, expiration or non-renewal of licences and permits may prevent Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group from carrying out certain of its operations

Each of Mitie and Interserve Facilities Management requires (and, with effect from Completion, the Enlarged Group will require) certain licences and permits to operate its business. If any of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group fails to meet a specific requirement of a license or permit, the license or permit may terminate or expire. There can be no assurance that any of the obligations required to maintain each license or permit will be met. Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group may also be unable to renew an expired license or permit.

In addition, certain of Mitie's and Interserve Facilities Management's contracts with governments may require employees to maintain various levels of security clearances, and Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group may be required to maintain certain facility security clearances complying with the requirements of government and regulatory agencies. Obtaining and maintaining security clearances for employees and facilities can be a difficult and lengthy process, especially in the case of employees not native to the country of employment. In addition, Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group may need to obtain and retain the necessary eligible status, approvals, consents and/or licences required by the relevant invitation to tender or contract from the relevant government body or department. The failure to obtain or retain the necessary eligible status, approvals, consents and/or licences to contract with such major customers or to meet the established criteria for obtaining or retaining the contract could result in the loss of an existing contract or the loss of opportunity to bid for a new contract. The termination, expiration or nonrenewal of any of Mitie's, Interserve Facilities Management's or, with effect from Completion, the Enlarged Group's security clearances, licences or permits may have a material adverse effect on the business, results of operations and financial condition of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

Mitie is (and, with effect from Completion, the Enlarged Group will be) subject to risks associated with divesting non-core businesses

Mitie's strategy aims to transform its business into a more focused and predictable business with improving returns and sustainable free cash flow. An important aspect of this strategy is its ongoing portfolio review and the disposal of non-core businesses, such as the disposals of Mitie's pest control business and social housing repairs and maintenance business in FY18/19 and the disposal of its catering and outside events business in FY19/20. Disposals of non-core assets pose a number of risks. In particular, Mitie and, with effect from Completion, the Enlarged Group may be unable to find viable purchasers for businesses to be disposed, or mitigate stranded costs that arise as a result of such disposals. Furthermore, activities arising from the ongoing portfolio review and any subsequent disposals will require additional time and resources of key management. To the extent that Mitie and, with effect from Completion, the Enlarged Group is unable to proceed with a disposal in the preferred timeframe, or to raise the anticipated level of disposal proceeds, or if further management or other resources are required to carry out those activities than was initially anticipated, it may have a negative financial impact. Mitie and, with effect from Completion, the Enlarged Group may not be able to achieve cost reductions or efficiencies in line with its disposal plans or at all and will also experience a decline in revenue from the sale of these businesses.

Mitie and, with effect from Completion, the Enlarged Group may remain at risk of potential litigation and business claims in relation to divested businesses where it has provided warranties and/or indemnities to the purchaser or has continuing obligations. Claims that may arise in connection with such obligations and liabilities may divert management's attention and may result in the incurrence of additional costs, all of which could have a material adverse effect on the business, results of operations and financial condition of Mitie and, with effect from Completion, the Enlarged Group. Where appropriate, Mitie has taken a provision for these obligations and liabilities, but it is possible that the actual costs incurred in settling any claims will materially exceed those provisions.

It can be difficult or expensive to obtain insurance coverage and there can be no assurance that sufficient coverage will be secured or maintained

Each of Mitie and Interserve Facilities Management maintains commercial insurance to cover the risks associated with the ordinary operation of its business. However, there can be no assurance that Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group will be able to obtain similar levels of cover on acceptable terms going forward or at all. In addition, even with such insurance in place, the risk remains that Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group may incur liabilities to customers and other third parties which exceed the limits of such insurance cover or are not covered by it. If any of Mitie's, Interserve Facilities Management's or, with effect from Completion, the Enlarged Group's insurers fail, refuse to renew or revoke coverage or otherwise cannot satisfy their insurance requirements to each of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group (as applicable), then the overall risk exposure and operational expenses could increase and business operations could be disrupted, which would have a material adverse effect on the business, results of operations and financial condition of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

Litigation or investigations that could divert management time and resources and result in penalties, fines or sanctions, variation or revocation of licences, permits, permissions and authorisations, or reputational damage

From time to time, each of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group may become involved in legal proceedings or other investigations that may be costly if they are not determined in favour of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group (as applicable), may divert management's attention away from the running of the business and could result in adverse publicity for, or negative perceptions regarding, Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group (as applicable). In addition, any such legal proceedings or investigations could result in the withdrawal or non-renewal of licences, permits and/or permissions to operate or other penalties, fines or sanction. Any such event could affect Mitie's, Interserve Facilities Management's and, with effect from Completion, the Enlarged Group's relations with current and potential customers and have an adverse impact on its reputation. As such, these events could have a material adverse effect on the business, results of operations and financial condition of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

Each of Mitie and Interserve Facilities Management is (and, with effect from Completion, the Enlarged Group will be) subject to regulatory, governmental and other sectoral inquiries and investigations in the normal course of its business. The impact of these inquiries and investigations may be difficult to assess or quantify. In addition, any provisioning for such legal proceedings, inquiries and investigations may be inaccurate or inadequate, which may have a material impact. An unfavourable judgment against any of Mitie, Interserve Facilities Management or, with effect from Completion, the Enlarged Group could have a material adverse effect on its business, results of operations and financial condition.

Failure to adequately defend intellectual property rights or third-party claims of intellectual property rights violations could result in a loss of future business to competitors

Each of Mitie's and Interserve Facilities Management's respective intellectual property consists mainly of trademarks in the jurisdictions in which they each operate. Each of Mitie and Interserve Facilities Management relies (and, with effect from Completion, the Enlarged Group will rely) on a variety of laws and contractual restrictions to protect its intellectual property rights, registered intellectual property protection, laws governing unregistered intellectual property, trade secrets and unfair competition and non-disclosure and confidentiality provisions.

Each of Mitie and Interserve Facilities Management protects its intellectual property using any available legal means, including, where necessary, pursuing legal action. However, these means may not adequately protect Mitie's, Interserve Facilities Management's and, with effect from Completion, the Enlarged Group's rights or permit it to gain or keep any competitive advantage. Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group may be required to defend claims of intellectual property infringement, infringement of third-party proprietary rights or breach of confidence, and its success will depend on its ability to do so. Any claims, even if they are without merit, may be burdensome, expensive and time consuming to defend, subject Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group to damages, divert management time and attention and/or require it to develop new technologies to deliver services to customers, which could have a material adverse effect on its business, results of operations and financial condition.

1.2 Risks related to Mitie's and Interserve Facilities Management's respective financial information

Each of Mitie and Interserve Facilities Management is subject to changes in accounting policies, which could have a material impact on its results of operation

The implementation of accounting policies continues to require significant management time and additional costs and may cause Mitie's and Interserve Facilities Management's future results to differ materially from its results from prior years. Mitie adopted IFRS 16, *Leases*, effective 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated, and is therefore prepared in accordance with IAS 17 Leases and related interpretations. Under Mitie's IFRS 16 policy, assets and liabilities for all leases must be recognised, unless the lease term is less than 12 months, or the underlying asset is of low value. The adoption of IFRS 16 has had a number of impacts on Mitie's results, including:

- in the consolidated income statement, the impact on profit before tax for FY19/20 has been modest (£1.8 million reduction), but there have been more significant impacts on individual line items, including a reduction in operating lease rentals, but an increase in depreciation, resulting in EBITDA improving by £24.8 million;
- on the consolidated balance sheet, IFRS 16 has resulted in a gross up of property, plant and equipment asset values (by £87.0 million) and lease liabilities (by £93.0 million) as at 31 March 2020, which has increased the reported value of Net Debt; and
- in the consolidated cash flow statement, there has been no overall impact of IFRS 16 on the movement in FY19/20 in cash and cash equivalents, but there have been significant impacts on individual line items, including an improvement in operating cash flows before movements in working capital of £24.8 million, due to the removal of operating lease charges, interest payments have also increased by £3.1 million and the capital element of lease rental payments has increased by £20.6 million.

Interserve Facilities Management adopted IFRS 16, *Leases*, effective 1 January 2019, also using the modified retrospective approach.

Mitie's financial statements are also prepared in conformity with accounting policies that require management to make estimates, assumptions and judgements that affect the amounts reported in its consolidated financial statements and accompanying notes. These accounting policies affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue generated and expenses incurred during the reporting periods. Should the estimates, assumptions and judgements prove to be incorrect, this could have a negative impact on Mitie's financial condition and results of operations.

Mitie has recognised substantial impairments of the carrying value of goodwill and other assets, and Mitie and, with effect from Completion, the Enlarged Group may recognise additional impairments in the future

The valuation of goodwill is complex and typically requires a high level of judgement. The goodwill and intangible acquired in business combinations is allocated, at acquisition, to the cash-generating units ("**CGUs**") that are expected to benefit from that business combination. Mitie tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The results of the impairment test are further reviewed after the year end in light of any significant changes in the environment. The key assumptions affecting the CGUs within each division are short-term growth rates, terminal growth rates and discount rates. If Mitie's and, with effect from Completion, the Enlarged Group's assumptions are for any reason not met or change, the value of goodwill may need to be written off. There can be no assurance that Mitie's current or its (and, with effect from Completion, the Enlarged Group's) future assumptions are correct and impairments of goodwill caused by, for example, a decrease in expected cash flows, deterioration in market conditions, adverse changes in actual or expected operational performance or external parameters such as changes in interest rates, could require Mitie and, with effect from Completion, the Enlarged Group to record impairment charges which could have a material adverse effect on the business, results of operations and financial condition of Mitie and, with effect from Completion, the Enlarged Group.

Mitie is (and, with effect from Completion, the Enlarged Group will be) exposed to funding risks in relation to its defined benefit pension schemes

Mitie operates one defined benefit pension scheme (the "**Mitie Group plc Pension Scheme**"), and it makes contributions to additional industry multi-employers defined benefit schemes, including the Plumbing &

Mechanical Services (UK) Industry Pension Scheme, other schemes in respect of certain employees who joined Mitie under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("**TUPE**") or on the acquisition of subsidiary companies with smaller obligations.

The Mitie Group plc Pension Scheme is closed to new members, but certain sections remain open to future accrual. As at 31 March 2020, the estimated deficit for accounting purposes, which is the difference between the value of the Mitie Group plc Pension Scheme's assets and the present value of the future liabilities, was £46.7 million (excluding impacts for deferred tax). The most recent triennial valuation was completed in 2019 (valuation date 31 March 2017). The next triennial valuation will assess the funding position as at 31 March 2020. For FY19/20, Mitie paid contributions of £10.4 million into the Mitie Group plc Pension Scheme. Mitie will pay a further £55.3 million to this scheme by 31 March 2025.

A member update issued in October 2018 in respect of the Plumbing & Mechanical Services (UK) Industry Pension Scheme noted that the draft triennial valuation as at 5 April 2017 showed a surplus on a technical provisions basis. However, Mitie has recognised the following liabilities in respect of participation in the scheme:

- provision of £20 million within the 2020 Financial Statements accounts in respect of the liability of Robert Prettie & Co. Limited under Section 75 of the Pensions Act 1995; and
- a contingent liability of £2.4 million in respect of Mitie Property Services (UK) Limited's participation in the scheme under Section 75 of the Pensions Act 1995. This has been disclosed as a contingent liability due to uncertainty regarding the amount of the liability and whether a debt has been triggered.

There can be no assurance that further contributions to defined benefit pension schemes in which Mitie participates (and, with effect from Completion, the Enlarged Group will participate) will not be required in the future. A significant increase in the value of the liabilities of the defined benefit pension schemes and/or a reduction in the value of the assets supporting such schemes can lead to increased deficits at future formal actuarial valuations, typically resulting in increased employer contributions, which could be material for Mitie. Factors that may affect this and are beyond the control of Mitie and, with effect from Completion, the Enlarged Group include investment returns, discount rates for valuing liabilities, life expectancy and inflation.

Interserve Facilities Management participates in two sections of Interserve's main defined benefit scheme, the Interserve Pension Scheme, as well as two smaller group defined benefit pension schemes. It also participates in various public sector defined benefit pension schemes, including the Railways Pension Scheme, Local Government Pension Schemes, NHS Pension Schemes and Civil Service Pension Schemes. Interserve Facilities Management recently ceased to participate in the Plumbing & Mechanical Services (UK) Industry Pension Scheme and has triggered an exit debt under Section 75 of the Pensions Act 1995. The amount of this debt is not yet finalised. Interserve Facilities Management initially received a trustee estimate, which implied a debt estimate of £2.1 million. Interserve Facilities Management has informed the trustee that this estimate was based on incorrect membership assumptions, and has now received an updated estimate from the trustee of £1.7 million. As engagement with the trustee continues, the final amount of the debt may be higher or lower than the £1.7 million estimate. It has also triggered exit debts in respect of several of the Local Government Pension Schemes in which it has participated. The overall pension/liability position in the 2019 group accounts is currently expected to include £2.3 million in respect of Local Government Pension Scheme exit debts and a historical pay capping issue, and there may be other Local Government Pension Scheme Debts that have been triggered, although a significant amount of time can be required to finalise the amounts. Following Completion, the Enlarged Group could become liable for debts in respect of these arrangements that are higher than amounts currently anticipated.

It is uncertain the extent to which COVID-19 will affect future valuations, given the significant market volatility in recent months as a result of the pandemic and guidance from the Pensions Regulator regarding normalisation factors that may be reflected in any valuation analysis and funding plans.

Each of Mitie and Interserve Facilities Management is (and, with effect from Completion, the Enlarged Group will be) exposed to certain tax risks

Each of Mitie and Interserve Facilities Management is (and, with effect from Completion, the Enlarged Group will be) subject to tax rules in the jurisdictions in which it operates. Changes in tax rates, tax relief and tax laws, changes in practice or interpretation of the law by the relevant tax authorities, increasing challenges by relevant tax authorities, or any failure to manage tax risks adequately could result in increased charges, financial loss, penalties and reputational damage. In addition, tax enforcement has become a higher priority for many tax authorities in jurisdictions in which each of Mitie and Interserve Facilities

Management (and in which, with effect from Completion, the Enlarged Group will) operate, which has led to an increase in tax audits, enquiries and challenges, or the testing through litigation of the boundaries of the correct interpretation of legislation. Tax authorities may also actively pursue additional taxes based on retroactive changes to tax laws and Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group may have disagreements with tax authorities which could result in a material restatement to its tax position. Any of these factors could have a negative impact on the results of operations and financial condition of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

Fluctuations in exchange rates and interest rates, and any failure to hedge effectively against exchange rate and interest rate changes, could negatively impact Mitie and Interserve Facilities Management (and, with effect from Completion, the Enlarged Group)

Each of Mitie and Interserve Facilities Management is (and, with effect from Completion, the Enlarged Group will be) subject to risks associated with fluctuations in exchange rates and interest rates in the ordinary course of its business. Each of Mitie and Interserve Facilities Management incurs (and, with effect from Completion, the Enlarged Group will incur) expenses in the ordinary course in currencies other than pounds sterling, including biannual interest payments by Mitie (and, with effect from Completion, the Enlarged Group) on the US-dollar denominated US Private Placement Notes. Mitie seeks to hedge against these risks through the use of derivative instruments, such as forward exchange contracts and interest rate and currency swaps. Although this strategy has been effective in the past, there can be no assurance that it will continue to be so under all situations in the future.

Mitie is also (and, with effect from Completion, the Enlarged Group will be) subject to interest rate risk as a result of debt incurred at variable interest rates. As at 31 March 2020, 31 per cent. of Mitie's debt was at a variable rate. The level of Mitie's variable rate debt fluctuates throughout the year, with an average of 36 per cent. in FY19/20. As a result, Mitie's and, with effect from Completion, the Enlarged Group's interest costs will increase in the event of rising interest rates.

Significant foreign exchange or interest rate fluctuations, or a failure to implement and maintain effective hedging strategies to mitigate the risk of such fluctuations, may have a material adverse effect on the business, results of operations and financial condition of Mitie, Interserve Facilities Management and, with effect from Completion, the Enlarged Group.

2 RISKS RELATED TO THE ACQUISITION

The Acquisition is conditional on certain conditions that may not be satisfied

Completion under the Share Purchase Agreement (as defined below) is subject to, and can only occur upon satisfaction or waiver of the following outstanding conditions:

(a) the approval of the Resolutions by the Shareholders at the General Meeting;

(b) the receipt of requisite level of clearance from the Competition and Markets Authority in respect of the Acquisition; and

(c) the amendment of the Interserve Pension Scheme trust deed and rules to allow independent operation of certain sections thereunder and the receipt of Interserve Pension Scheme trustee consent to the Acquisition (or How Group having determined that it does not intend to seek such consent) and a clearance statement issued by the Pensions Regulator in respect of the Acquisition having been obtained (or both of How Group and the Company having determined that they do not intend to seek clearance in respect of the Acquisition).

Although the parties to the Share Purchase Agreement have obligations in relation to the satisfaction of the conditions to the Acquisition, these conditions may not be fulfilled (or waived, where capable of being waived) and the Acquisition may not complete. If the Acquisition does not complete, or it does not complete on the timing anticipated, it could have a material adverse effect on the market price of the Shares.

Mitie may not be or may not have been able to identify all risks associated with the Acquisition, which may result in unexpected liabilities and costs

The due diligence activities undertaken by Mitie in preparation for the Acquisition may not have identified all risks and liabilities associated with the Acquisition. When conducting due diligence, Mitie has relied on the resources available, including information provided by How Group and, in some circumstances, third-party investigations and analysis. Accordingly, Mitie cannot be certain that its due diligence investigation has revealed or highlighted all relevant facts that may be necessary or helpful in evaluating the merits of acquiring Interserve Facilities Management. For example, as a result of the Acquisition, Mitie may assume unexpected litigation risk arising in connection with Interserve Facilities Management's pending and future litigation. There may be liabilities or issues that Mitie failed or was unable to discover in the course of performing its due diligence investigations into Interserve Facilities Management in connection with the Acquisition.

The anticipated benefits and targeted synergies in connection with the Acquisition are based on certain assumptions and estimates that may prove inaccurate

Through the Acquisition, Mitie aims to enhance its market position, build its public sector exposure, achieve cost synergies and support its financial profile.

The Enlarged Group's ability to realise these benefits and synergies is dependent on a number of estimates and assumptions that may prove to be incorrect. In particular, targeted synergies are based on Mitie's estimates regarding (i) completion of the Acquisition, (ii) market conditions in the industries in which the Enlarged Group will operate, (iii) the ability to integrate Interserve Facilities Management (including transitioning onto Mitie systems) and to implement strategic plans, including cost savings targets, (iv) the ability to maintain all respective customer relationships on existing terms, (v) the estimated costs required in connection with integration activities and targeted synergies, which may exceed projected one-off cash costs of approximately £33 million, (vi) the ability to undertake integration processes without interruption to ongoing business operations (including relationships with customers, employees, suppliers and other market participants), (vii) the impact of the recent cyber-attack on the business and operations of Interserve Facilities Management (see "*Failure of Mitie's, Interserve Facilities Management's (or, with effect from Completion, the Enlarged Group's) information technology ("IT") systems, data security and/or data protection policies may result in losses*" in this Part II), and (viii) macroeconomic developments and the impact of other factors (including the COVID-19 pandemic) on the Enlarged Group's operations and those of existing and targeted customers, among others.

In particular, planning for post-completion integration processes is ongoing. The Company currently expects these activities to require one-off cash costs of approximately £33 million in the aggregate during FY20/21-FY 22/23. However, the activities and investments that will be required to achieve targeted cost savings and synergies, as well as the timing for realising such cost-savings and synergies, will continue to be identified in the coming months. As a result, these activities may require more management attention than currently anticipated, and the potential costs required to implement these initiatives could change significantly as these plans are further developed. These costs may also be required prior to realisation of the corresponding targeted synergies and other benefits of the Acquisition, if realised at all. Changes to market conditions, customer relationships or other factors may also result in management modifying cost-reduction targets in affected areas of the business or extending the time frame required to achieve them.

In addition, a corresponding benefit may not be available to offset the costs, including transaction and integration costs, incurred by Mitie in connection with the Acquisition, or any such benefits may not be the size or realised on the timing expected. If the benefits of the Acquisition are not realised to the extent or on the timing anticipated, or at all, it could have a material adverse effect on the business, results of operations and financial condition of the Enlarged Group and on the market price of the Shares.

The Enlarged Group may experience difficulties in integrating the existing business carried on by Mitie and Interserve Facilities Management

Mitie and Interserve Facilities Management currently operate and, until Completion, will continue to operate, as two separate and independent businesses. The Acquisition will lead to the combination of these two businesses and the success of the Enlarged Group will depend, in part, on the ability of the Enlarged Group to realise anticipated benefits and cost savings.

Mitie may experience difficulties in integrating Interserve Facilities Management and the anticipated benefits of the Acquisition may not be realised fully or may take longer to realise or require higher investment or expenditure levels than expected. Failure to integrate Interserve Facilities Management effectively may give rise to a number of risks, including a failure to deliver as expected on contracts, to maintain effective internal controls or to assimilate Interserve Facilities Management into existing systems and processes. The integration of Interserve Facilities Management and any unexpected delays may require the diversion of management and employee time and attention from other business concerns. In addition, it may be difficult to manage the integration without adversely affecting Mitie's existing operations, customer relationships and reputation. As a result, integration activities could lead to a loss of customers or key personnel. Some of the potential challenges in combining the businesses into the Enlarged Group may not become known until after Completion, in particular due to the substantial increase in the scale of the combined operations of the Enlarged Group.

Any of these factors could limit the anticipated benefits of the Acquisition or cause delays in achieving them, which could have a material adverse effect on the business, results of operations and financial condition of the Enlarged Group.

Interserve Facilities Management operates through a number of joint venture arrangements, which may create risks for the Enlarged Group

Interserve Facilities Management's operations include services provided through three material joint ventures: Landmarc (with PAE, Inc.) for facilities management services provided to the Ministry of Defence, the Sussex Partnership (with the University of Sussex) for facilities management services at the university and related properties and OneAIM (with Jacobs Clean Energy Limited) for facilities management services provided to Sellafield Ltd. Participation in joint projects contains an inherent risk in their management as the Enlarged Group will not have full control over these joint ventures. Joint venture partners may also have economic or business interests or goals that are inconsistent with those of the Enlarged Group, be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements or experience financial, operational or other difficulties, any of which may materially adversely affect the success of the relevant investment. Should an event of default be triggered under a joint venture agreement, it may result in termination of or loss of rights related to the joint venture or entitle the partner under the agreement to purchase a portion of or the remaining share of the joint venture entity at a discount to fair value.

Further, the Enlarged Group (through the relevant joint venture company) may not be able to control the decision-making process of the joint ventures without reference to the joint venture partners. Similarly, the Enlarged Group's reputation and brand is affected by the reputation of its joint venture partners, which will be outside of the Enlarged Group's control. As a result, the Enlarged Group may be affected by any material damage to the business reputation of one of its joint venture partners, which could, in turn, materially adversely affect its own reputation.

Any of these risks could have a material adverse effect on the business, results of operations and financial condition of the Enlarged Group.

There are limits on the Company's recourse against How Group in the event of a breach of the Share Purchase Agreement

The Share Purchase Agreement contains customary financial limitations, timing limitations and other limitations and exclusions on the ability of the Company to claim against How Group for specific indemnities or breaches of the Share Purchase Agreement. In addition, the liability of the Insurers under the Warranty and Indemnity Insurance Policies is subject to further limitations in addition to those contained in the Share Purchase Agreement. In particular, there is an overall total cap on liability of £50 million (comprising £27 million for the Master Policy and £23 million for the Excess Policy). Further details of these limitations of liability are described in Part VIII of this document. Accordingly, Mitie may not have recourse against, or otherwise be able to recover from, How Group or under the Warranty and Indemnity Insurance Policies in respect of material losses which it may suffer in respect of a breach of warranty or otherwise in respect of liabilities of Interserve Facilities Management. If any material liabilities arose and it was not possible to make a claim under the warranties or indemnities in respect thereof, or if any losses could not be fully recovered in respect of claims under the Share Purchase Agreement, there may be a material adverse effect on the business, results of operations and financial condition of the Enlarged Group.

Acquisition related costs may exceed Mitie's expectations

Mitie expects to incur costs in relation to the Acquisition, including integration and post-Completion costs in order to successfully combine the operations of Mitie and Interserve Facilities Management. The actual costs of the integration process may exceed those estimated and there may be further additional and unforeseen expenses incurred in connection with the Acquisition. In addition, Mitie will incur legal, accounting and transaction fees and other costs relating to the Acquisition, some of which are payable whether or not the Acquisition is completed.

Risks of executing the Acquisition could cause the market price of the Shares to decline

The market price of the Shares may decline as a result of the Acquisition if, among other reasons, the integration of Interserve Facilities Management's business with that of Mitie is delayed or unsuccessful, Mitie does not achieve the expected benefits of the Acquisition as rapidly or to the extent anticipated or at all, the effect of the Acquisition on Mitie's financial results is not consistent with the expectations of investors, or Shareholders sell a significant number of Shares after Completion.

Change of control clauses in Interserve Facilities Management's contracts may be triggered or leveraged by counterparties in connection with the Acquisition

Certain of Interserve Facilities Management's customer contracts contain change of control clauses which would be triggered upon completion of the Acquisition, requiring the consent of the relevant counterparty. While a number of these clauses only give rise to a right for the counterparty to terminate the contract based on grounds of national interest or security, conflict of interest, security, service or reputational impact, or financial standing relating to the new entity, the relevant counterparties may seek to withhold consent for the purposes of renegotiating contracts to be on more favourable terms or seek to terminate their arrangements with Interserve Facilities Management. Mitie considers it unlikely that such counterparties would seek to terminate their arrangements with the Enlarged Group, particularly given that the majority of these contracts are in place with public sector customers, including central government, local authorities and other public sector bodies who are, in turn, current customers and clients of Mitie. Furthermore, as the contracts in place are already on customer-friendly terms, Mitie considers it unlikely that customers will withhold consent for the purposes of renegotiating such contracts.

The Enlarged Group may require additional funding for further capital investment or growth plans over the long-term, and such funding may result in further restrictions on the Enlarged Group's business operations

Although Mitie has no current plans or anticipated need for additional financing over the longer term the Enlarged Group may seek additional financing to provide further capital to maintain or expand its business. Mitie cannot predict with certainty whether such financing would be available on favourable terms, or at all, to the Enlarged Group. The Enlarged Group may raise additional funds by issuing equity, equity-linked securities or debt securities, or by borrowing from banks or other resources. It cannot be certain that it will be able to obtain any additional financing required on terms that are acceptable to it, or at all. If the Enlarged Group fails to obtain additional financing on acceptable terms, it may not be able to implement fully new investment or growth plans. Additional debt financing may restrict the commercial and financial flexibility of the Enlarged Group through additional debt service obligations or restrictive covenants. Any of the foregoing could have a material adverse effect on the business, results of operations and financial condition of the Enlarged Group.

The price of the Shares may fluctuate

The market price of the Shares could be subject to significant fluctuations due to a change in sentiment in the market or in response to various facts and events, including variations in the Company's operating results and/or business developments of the Company, Interserve Facilities Management or the Enlarged Group. Stock markets have, from time to time, experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to the Company's or Interserve Facilities Management's operating performance or prospects. Furthermore, the Company's, Interserve Facilities Management's and the Enlarged Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the Shares. As a result, Shareholders may not be able to sell their Shares at a price equal to or greater than the price they paid for those Shares.

The Board has determined that no final dividend would be recommended for FY19/20 and does not expect to declare an interim dividend for FY20/21 due to the uncertainties arising out of the COVID-19 situation. The lack of dividend may affect the value of the Shares and could significantly affect the value of a Shareholder's investment. Furthermore, there can be no assurance whether and when the dividend will be reinstated.

The issue of the Consideration Shares will dilute the holdings of Shareholders

The Company expects to issue 248,396,183 Consideration Shares in the capital of Mitie to How Group (or pursuant to the terms of the Share Box Agreement, the DAC SPV) in part consideration for the Acquisition and representing approximately 17.5 per cent. of the share capital of Mitie (excluding treasury shares and assuming no other Shares are issued by the Company prior to Admission) immediately following Admission.

Shareholders will therefore own a smaller percentage of the Company following completion of the Acquisition than they currently own. As a consequence, Shareholders will be able to exercise a lower percentage of voting rights following completion of the Acquisition and the influence that may be exerted by them in respect of the Enlarged Group will be reduced.

Other than the Acquisition, the Company has no current plans for an offering of Shares. However, it is possible that the Company may decide to offer additional Shares in the future, either to raise capital or for other purposes. If Shareholders of the Company do not take up such offer of Shares or are not eligible to participate in such offering, their proportionate ownership and voting interests in the Company would be reduced and the percentage that their Shares would represent of the total share capital of the Company would be reduced accordingly. An additional offering, or significant sales of Shares by major Shareholders, could have a material adverse effect on the market price of Shares.

Substantial future sales of Shares by How Group (or certain of its nominees) could adversely affect the market price of Shares

Following completion of the Acquisition, as a result of (and immediately following) the issuance of the Consideration Shares, How Group is expected to own approximately 17.5 per cent.[1] of the share capital of Mitie.

How Group (and its nominees) has agreed that the Consideration Shares will be subject to certain lock up and orderly market restrictions, as follows:

- No Consideration Shares may be disposed of in the 90-day period following Completion. During the 90 day period commencing 91 days following Completion, a first single block of up to £25 million worth of Consideration Shares may be disposed of.
- During the 90 day period commencing 181 days following Completion, a second single block of up to £25 million worth of Consideration Shares may be disposed of (the value of each of the first single block and the second single block being subject to adjustment in connection with any release of value under the escrow arrangement). No Consideration Shares may be disposed of in the period commencing immediately after any second single block disposal and ending 360 days following Completion.
- During the 90-day period commencing 361 days following Completion, a third single block of such number of Consideration Shares as is equal to 5 per cent. of the total issued share capital of the Company may be disposed of. No Consideration Shares may be disposed of in the period commencing immediately after any third single block disposal and ending 450 days following Completion.
- During the 90-day period commencing 451 days following Completion, a fourth single block of such number of Consideration Shares as is equal to 10 per cent. of the total issued share capital of the Company may be disposed of. No Consideration Shares may be disposed of in the period commencing immediately after any fourth single block disposal and ending 540 days following Completion.

The lock-up and orderly market restrictions are subject to certain customary exceptions and do not apply to certain disposals, including: (i) any disposal to which the Company gives prior consent; (ii) an acceptance of a general offer for the Company made under the UK Takeover Code (including an irrevocable undertaking to accept); (iii) any disposal pursuant to a scheme of reconstruction under section 110 of the Insolvency Act 1986 in relation to the Company; and (iv) a disposal pursuant to a compromise or arrangement under section 896 of the Companies Act 2006 providing for the acquisition by any person of 50 per cent. or more of the ordinary share capital of the Company. The lock-up and orderly market restrictions do not apply to any Consideration Shares released from the Share Box Arrangement (as described in paragraph 2 of Part VIII of this document) to the extent such Consideration Shares are to be disposed of to realise sufficient cash proceeds in order to satisfy any indemnity claims determined in favour of the Company (including in a case where a delayed transfer results in a right by How Group to direct such market sale). Additionally, the lock-up restrictions do not apply to any Consideration Shares available to be released early from the Share Box Arrangement pursuant to the provisions of Share Purchase

1 A certain portion of the Consideration Shares (equal to £40 million in market value, as at the close of business on the date falling two business days prior to Completion) will be issued to the DAC SPV (as opposed to How Group) as Share Box Shares and become subject to the terms of the Share Box Agreement, pursuant to which they could be returned or delivered to the Company. For such time as the Share Box Shares are held by the DAC SPV, the voting rights attaching to those Shares will be exercised by How Group, and How Group will be able to extract amounts in respect of dividends (subject to certain restrictions under the Share Box Agreement).

Agreement to the extent they are disposed of to realise sufficient cash proceeds in order to satisfy any fine imposed on any member of the retained Interserve group by the ICO in relation to the cyber incident, provided that any such disposal shall be effected with the intention of ensuring an orderly market in such shares.

Future sales of substantial amounts of Shares by How Group (or its nominees) following the expiration of the applicable lock-up periods or in accordance with the exceptions to such lock-up arrangements, or the perception that such sales were imminent, could adversely affect the prevailing market price of the Shares.

Following Completion, How Group may be able to exert influence over the Company

Following Admission, How Group is expected to own approximately 17.5 per cent.[1] of the Shares in issue at that time. How Group will, through the votes it will be able to exercise at general meetings of the Company, be able to exercise a significant degree of influence over the Enlarged Group's operations and matters to be determined at Shareholders' meetings.

There can be no assurance that the interests of How Group will align with the interests of the Group or other Shareholders.

1 A certain portion of the Consideration Shares (equal to £40 million in market value, as at the close of business on the date falling two business days prior to Completion) will be issued to the DAC SPV (as opposed to How Group) as Share Box Shares and become subject to the terms of the Share Box Agreement, pursuant to which they could be returned or delivered to the Company. For such time as the Share Box Shares are held by the DAC SPV, the voting rights attaching to those Shares will be exercised by How Group, and How Group will be able to extract amounts in respect of dividends (subject to certain restrictions under the Share Box Agreement).

PART III

IMPORTANT INFORMATION

Notice to All Investors

This document comprises: (i) a prospectus for the purposes of Article 6 of the Prospectus Regulation and amendments thereto and is issued in compliance with the Listing Rules; and (ii) a class-1 circular prepared in accordance with the Listing Rules.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice.

No Shares or any other securities in the Company have been marketed to, nor are available for purchase, in whole or in part, by the public in the United Kingdom or elsewhere in connection with Admission. This document does not constitute or form part of any invitation to purchase, subscribe for, sell or issue or any offer to purchase, subscribe, sell or issue any Shares or other securities in the Company.

Investors should only rely on the information contained in this document and contained in any documents incorporated into this document by reference. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, the Directors, the Sponsor, the Financial Adviser or any other person involved in the Acquisition or Admission. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to Article 23 of the Prospectus Regulation and Rule 3.4.1 of the Prospectus Regulation Rules, neither the delivery of this document nor any issue or sale made under this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company, the Group, Interserve Facilities Management and/or the Enlarged Group, each taken as a whole since the date of this document, or that the information contained herein is correct as at any time subsequent to its date. The Company will update the information provided in this document by means of a supplement hereto if required by law or regulation pursuant to Article 23 of the Prospectus Regulation and Rule 3.4 of the Prospectus Regulation Rules. The Prospectus and any supplement thereto will be subject to approval by the FCA and will be made public in accordance with the Prospectus Regulation Rules.

None of the Sponsor, the Financial Adviser nor any of their respective affiliates, directors, officers, employees or advisers accept any responsibility whatsoever for, or make any representation or warranty, express or implied, as to the contents of this document, including as to the accuracy, completeness or verification of the information set forth in this document or for any other statement made or purported to be made by it or on behalf of it, the Company, the Directors or any other person, in connection with the Company, the Consideration Shares, the Acquisition or Admission, and nothing in this document should be relied upon as a promise of representation in this respect, whether as to the past or the future. Each of the Sponsor, the Financial Adviser and their respective affiliates, directors, officers, employees and advisers accordingly disclaim to the fullest extent permitted by law all and any responsibility or liability whatsoever, whether arising in tort, contract or otherwise, which it might otherwise have in respect of this document or any such statement.

The Consideration Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state's securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Acquisition or the Consideration Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence.

Notice to Investors in the United States of America

The Consideration Shares and any entitlements thereto have not been and will not be registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, pledged, renounced, transferred or delivered, directly or indirectly, in or into the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any State or other jurisdiction of the United States.

No representation has been, or will be, made by the Company, the Sponsor or any of their respective affiliates as to the availability of Rule 144 under the US Securities Act or any other exemption under the US Securities Act or any state securities laws for the re-offer, pledge or transfer of the Consideration Shares.

Overseas Territories Other than the United States of America

The release, publication or distribution of this document in jurisdictions other than the United Kingdom may be restricted by law. No action has been taken by the Company, the Sponsor or the Financial Adviser to permit the release, publication or distribution of this document (or any other offering or publicity materials relating to the Consideration Shares) in any jurisdiction (other than the United Kingdom) where action for that purpose may be required or doing so is restricted by law. Accordingly, neither this document nor any advertisement may be distributed or published in any other jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Presentation of Financial Information

Mitie

Mitie's financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board as adopted by the European Union. The Company publishes its respective financial statements in pounds sterling ("**£**" or "**pounds sterling**"). References to "pence" represent pence in the United Kingdom. References to "**USD**", "**dollars**" or "**$**" are to US dollars.

The consolidated financial statements of Mitie as at and for the year ended 31 March 2020 (the "**2020 Financial Statements**") were audited by BDO LLP and their audit opinion is incorporated by reference herein.

Prior to 1 April 2019, Mitie reported on the basis of six business divisions (Engineering Services, Security, Professional Services, Cleaning and Environmental Services, Care & Custody and Catering (which business was sold during FY19/20)), and historical operations during FY17/18 also included Property Management and, as discontinued operations, Healthcare. Mitie's results of operations for FY18/19 and FY17/18 were reported on the basis of these six divisions. Effective 1 April 2019 (for purposes of the 2020 Financial Statements), Mitie reorganised its reporting on the basis of three market-facing business divisions: Technical Services, Business Services and Specialist Services. Mitie's 2020 Financial Statements reflect this divisional structure for FY19/20. In addition, Mitie's 2020 Financial Statements include certain financial information for FY18/19 reflecting the realigned divisional structure for purposes of comparison.

IFRS 16 (Leases)

IFRS 16 (Leases) became effective for Mitie on 1 April 2019. The 2020 Financial Statements give effect to the entry into force of IFRS 16. The new standard replaces the previous accounting standard, IAS 17 (Leases), including related interpretations. Mitie has applied exemptions for short-term leases and leases of low value items and chose to adopt the modified retrospective transition approach for IFRS 16 under which, prior to reflecting the impact of lease incentives, dilapidations provision and lease related accruals and prepayments, Mitie evaluated its lease liability using incremental borrowing rates assessed at the date of transition with a right of use asset of equal value. There was no impact to equity reserves as of 1 April 2019 as a result of the adoption of IFRS 16. There have been no IFRS 16 adjustments made to the consolidated income statements for the periods prior to 1 April 2019. See note 1 of the 2020 Financial Statements.

Interserve Facilities Management

All financial information relating to Interserve Facilities Management contained in this document, unless otherwise stated, has been prepared in accordance with the basis of preparation set out in note 1 to the historical financial information on Interserve Facilities Management in section A of Part XII of this document. Interserve publishes its respective financial statements in pounds sterling.

The historical financial information on Interserve Facilities Management as at and for the years ended 31 December 2019 (the "**IFM 2019 Financial Statements**"), 31 December 2018 (the "**IFM 2018 Financial Statements**") and 31 December 2017 (the "**IFM 2017 Financial Statements**" and, together with the IFM 2019 Financial Statements and the IFM 2018 Financial Statements, the "**Interserve Facilities**

Management Historical Financial Information") have been reported on for purposes of this document by BDO LLP and their accountant's report is included herein.

For a reconciliation of Interserve Facilities Management's Adjusted EBITDA to total operating profit for the year ended 31 December 2019, see note 32 to the Interserve Facilities Management Historical Financial Information included herein.

IFRS 16 (Leases)

Interserve Facilities Management initially applied IFRS 16 Leases at 1 January 2019, using the modified retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of invested equity at 1 January 2019. The information for the years ended 31 December 2018 and 31 December 2017 has not been restated and continues to be reported under IAS 17 and therefore is not comparable to the information presented for the year ended 31 December 2019 under IFRS 16. Additionally the disclosure requirements in IFRS 16 have not been generally applied to comparative information in the Interserve Facilities Management historical financial information. The details of the significant changes and quantitative impact of the changes are set out in note 4 to the Interserve Facilities Management Historical Financial Information.

Unaudited Pro Forma Financial Information

In this document, any reference to "*pro forma*" financial information is to information which has been extracted without material adjustment from the unaudited *pro forma* financial information contained in Part XIV of this document. The unaudited *pro forma* statement of net assets and unaudited *pro forma* income statement contained in that section is intended to show how the Acquisition and Rights Issue might have affected the net assets of Mitie as at 31 March 2020 as if they had taken place at that date and how they might have affected Mitie's income statement for the year ended 31 March 2020 as if they had taken place on 1 April 2019.

The unaudited *pro forma* financial information is for illustrative purposes only. Because of its nature, the *pro forma* financial information addresses a hypothetical situation and, therefore, does not represent the Company's financial position. Future results of operations may differ materially from those presented in the *pro forma* financial information due to various factors.

Rounding

The financial information presented in a number of tables in this document has been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Alternative Performance Measures

This document contains certain alternative performance measures that are not defined or recognised under IFRS as adopted by the European Union, including Net Debt, operating profit before other items and Organic Revenue. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based require a level of judgement and can vary from company to company.

These alternative performance measures include:

- **Adjusted Consolidated EBITDA**: represents Mitie's Consolidated EBITDA adjusted to reflect the full-year effect of acquisitions and disposals.
- **Consolidated EBITDA**: represents Mitie's consolidated operating profit/(loss) from continuing and discontinued operations plus depreciation, amortisation and impairment charges, reflecting covenant adjustments (comprising the impact of restructuring activities, disposals of non-current assets, disposals of discontinued operations, provisions, one-off costs incurred on an acquisition, unrealised gains or losses on derivatives, income/charges attributable to post-employment benefit schemes (other than current service costs attributable thereto), and charges associated with share-based payment schemes) on a pre-IFRS 16 basis.

- **Consolidated Net Finance Costs**: represents Mitie's finance costs incurred (without taking account of dividends on preference shares), less all interest and other financing charges received or receivable, but excluding finance costs associated with post-employment benefit schemes, each on a consolidated basis, including any share of any proportionate consolidated joint ventures, but without taking account of certain unrealised derivative gains or losses or non-cash charges required as a consequence of discounting the net present value of any deferred consideration liabilities, and excluding the impact of finance costs from the adoption of IFRS 16, *Leases*.
- **Consolidated Total Net Borrowings**: represents Net Debt (pre-IFRS 16) less the impact of hedge accounting and upfront fees.
- **Interest Coverage Ratio**: reflects Mitie's Consolidated EBITDA to Consolidated Net Finance Costs.
- **Leverage Ratio**: reflects Mitie's Consolidated Total Net Borrowings divided by Adjusted Consolidated EBITDA.
- **Operating profit before other items**: represents Mitie's operating profit/(loss) less other items. Other items include impairment of goodwill, restructure costs, acquisition and disposal related costs, gain on bargain purchase, gain/(loss) from disposal and other exceptional items.
- **Organic Revenue**: reflects revenue from continuing operations as adjusted to remove the impact of acquisitions acquired 12 months, or earlier, prior to the relevant reporting date.
- **Net Debt**: reflects Mitie's bank loans, the US Private Placement Notes, derivative financial instruments hedging private placement notes and obligations under lease liabilities after adoption of IFRS 16, *Leases*, less cash and cash equivalents.
- **Net Debt (pre-IFRS 16)**: reflects Mitie's Net Debt excluding the impact of IFRS 16, *Leases*.

The calculation of these alternative performance measures and reconciliations to the relevant nearest IFRS measure are provided in the portions of Mitie's 2020 Annual Report and Accounts incorporated by reference herein.

These alternative performance measures are included because Mitie believes that they are important supplemental measures of operating performance and give a balanced view of, and relevant information on, Mitie's financial performance, position and cash flows. These are not measures of operating performance derived in accordance with IFRS and should not be considered a substitute for Mitie's historical financial results based on IFRS. In addition, these measures are not intended to be an indication of Mitie's ability to fund its cash requirements. Consideration should be given to the types of events and transactions that are excluded from the calculation of underlying revenue, underlying operating profit and underlying operating margin. These alternative performance measures are not uniformly defined by all companies and therefore comparability may be limited.

Mitie's alternative performance measures show the performance of Mitie excluding specific items that the Directors believe do not directly reflect Mitie's underlying operations. Such items include impairment of goodwill, the cost of restructuring programmes, acquisition and disposal costs (including the write-off and amortisation of acquisition related intangible assets), the results of and costs associated with disposals, and other exceptional items and their related tax effect that are presented in Mitie's consolidated income statement. For a more detailed description of non-underlying items see note 4 of Mitie's 2020 Financial Statements, which are incorporated by reference in this document as described in Part XVI.

Other Operating Data

This document also contains key performance indicators which are used by Mitie to assess the operating performance of its businesses. These key performance indicators include:

- **Employee engagement**: is based on a survey of Mitie colleagues to gauge engagement levels within the organisation, expressed as a percentage.
- **Net Promoter Score (NPS)**: is based on surveys of Mitie customers to gauge overall satisfaction with the relevant product or service and loyalty.
- **Order book**: is comprised of short-term contractual revenue (less than one year) and long-term contractual revenue (longer than one year) and represents the revenue which Mitie will recognise from clients when it satisfies the remaining performance obligations in its contracts.

- **Staff turnover**: is calculated as the number of employees leaving voluntarily over a 12-month period against Mitie's overall headcount, expressed as a percentage.

Forward-Looking Statements

Certain information contained in this Prospectus, including information as to Mitie's strategy, market position, plans or future financial or operating performance, constitutes "forward-looking statements". Generally, words such as "may", "could", "will", "expect", "intend", "estimate", "anticipate", "believe", "plan", "seek", "continue" or similar expressions identify forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Mitie's present and future business strategies and the environment in which the Group, Interserve Facilities Management and/or the Enlarged Group will operate in the future. These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside Mitie's control and are difficult to predict, that may cause actual results to differ materially from any future results or developments expressed or implied from the forward-looking statements. Such factors include, but are not limited to: (i) general macroeconomic conditions and real estate activity in the markets in which Mitie operates; (ii) Mitie's earnings, financial position, cash flows, return on capital, and capital expenditures; and (iii) Mitie's ability to implement its business strategy.

These statements are further qualified by the risk factors disclosed in or incorporated by reference in this Prospectus that could cause actual results to differ materially from those in the forward-looking statements. See "*Risk Factors*".

These forward-looking statements speak only as at the date of this Prospectus. Except as required by the FCA, the London Stock Exchange, the Part VI Rules, Market Abuse Regulation ("**MAR**") or applicable law, the Company does not have any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, further events or otherwise. Except as required by the FCA, the London Stock Exchange, the Part VI Rules, MAR or applicable law, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Market Data

This document includes market data and projections about Mitie markets obtained from industry surveys, industry publications, market research and other publicly available third-party information, certain of which Mitie has accessed through the payment of a subscription fee. Where information has been sourced from a third party, Mitie confirms that the information has been accurately reproduced and, as far as Mitie is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where third-party information has been used, the source of such information has been identified wherever it appears in this document. Industry surveys and industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. Mitie has not independently verified this data or determined the reasonableness of such assumptions.

Available Information

If, at any time, the Company is neither subject to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Company will furnish, upon request, to any holder or beneficial holder of the Shares, or any prospective purchaser designated by any such holder or beneficial owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. In such cases, the Company will also furnish to each such owner all notices of general Shareholders' meetings and other reports and communications that Mitie generally makes available to Shareholders.

Definitions

Certain terms used in this document, including all capitalised terms and certain technical and other terms, are defined and explained in Part XVII of this document.

No Internet Site is Part of this Document

Without prejudice to the documents incorporated by reference into this document, which will be made available on Mitie's website, information contained in or otherwise accessible through the website of Mitie or Interserve Facilities Management does not form part of this document, and prospective investors should not rely on it. With the exception of those elements of the specific documents incorporated by reference into this document as described in Part XVI of this document, all references in this document to these internet sites are inactive textual references to these internet addresses and are for information only.

PART IV

EXPECTED TIMETABLE FOR THE ACQUISITION

Each of the times and dates in the table below is indicative only and may be subject to change.(1)(2)

Announcement of Acquisition	25 June 2020
Publication of this document and the Notice of General Meeting	4 November 2020
Latest time and date for receipt of Forms of Proxy	11.00 a.m. on 19 November 2020
General Meeting	**11.00 a.m on 23 November 2020**
Completion of the Acquisition	30 November 2020
Admission and commencement of dealings in the Consideration Shares on the LSE	By 8.00 a.m. on 1 December 2020
Long Stop Date	31 March 2021

General Notes:

(1) The times and dates set out in the timetable above and referred to throughout this document may be adjusted by the Company by announcement through a Regulatory Information Service, in which event details of the new dates will also be notified to the Financial Conduct Authority, the London Stock Exchange and, where appropriate, Shareholders. Notwithstanding the foregoing, Shareholders may not receive any further written communication.

(2) References to times in this document are to London time, unless otherwise stated.

PART V

ACQUISITION STATISTICS

Number of Shares in issue as at 29 October 2020[(1)(2)]	1,171,010,576
Number of Consideration Shares to be issued by the Company to the Seller (or, pursuant to the terms of the Share Box Agreement, to the DAC SPV) in connection with the Acquisition	248,396,183
Number of Shares in issue immediately following Admission[(2)(3)]	1,419,406,759
Consideration Shares as a percentage of enlarged issued share capital of the Company immediately following Admission[(2)(3)]	17.5 per cent.

Notes:

(1) Being the latest practicable date for Share information prior to the date of this document.

(2) Excludes 7,744,359 Shares held in treasury.

(3) On the assumption that no further Shares are issued as a result of the exercise of any options or awards vesting under any Employee Share Plans between 29 October 2020 (being the latest practicable date prior to the date of this document) and Admission becoming effective.

PART VI

DIRECTORS AND ADVISERS

Mitie Directors	Derek Mapp (*Chairman*) Phillip Bentley (*Chief Executive Officer*) Andrew Peeler (*Chief Financial Officer*) Nivedita Krishnamurthy Bhagat (*Non-Executive Director*) Jennifer Duvalier (*Non-Executive Director*) Mary Reilly (*Non-Executive Director*) Baroness Philippa Couttie (*Non-Executive Director*) Roger Yates (*Senior Independent Director*)
Company Secretary	Peter Dickinson
Registered office of the Company	Mitie Group plc 35 Duchess Road Rutherglen Glasgow G73 1AU United Kingdom
Sponsor..	Jefferies International Limited 100 Bishopsgate London EC2N 4JL United Kingdom
Financial Adviser to the Company..........	Evercore Partners International LLP 15 Stanhope Gate London W1K 1LN United Kingdom
Legal advisers to the Company...............	Linklaters LLP One Silk Street London EC2Y 8HQ United Kingdom
Legal advisers to the Sponsor	White & Case LLP 5 Old Broad Street London EC2N 1DW United Kingdom
Registrar	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom
Reporting Accountant and Auditors........	BDO LLP 55 Baker Street London W1U 7EU United Kingdom

PART VII

LETTER FROM THE CHAIRMAN OF MITIE GROUP PLC

(*Incorporated and registered in Scotland with registered number SC019230*)

Directors:	**Registered Office:**
Derek Mapp (*Non-Executive Chairman*)	35 Duchess Road
Phillip Keague Bentley (*Chief Executive Officer*)	Rutherglen
Andrew Michael Peeler (*Chief Financial Officer*)	Glasgow
Nivedita Krishnamurthy Bhagat (*Independent Non-Executive Director*)	G73 1AU
Baroness Philippa Couttie (*Independent Non-Executive Director*)	United Kingdom
Jennifer Susan Duvalier (*Independent Non-Executive Director*)	
Mary Margaret Reilly (*Independent Non-Executive Director*)	
Roger Philip Yates (*Senior Independent Director*)	

4 November 2020

Dear Shareholder

Acquisition by the Company of Interserve Facilities Management

1 Introduction

On 25 June 2020, Mitie announced the proposed Acquisition of Interserve Facilities Management from How Group, alongside the raising of approximately £201 million gross proceeds by way of a Rights Issue and an extension of its Revolving Credit Facility of £250 million to December 2022.

Pursuant to the terms of the Original Share Purchase Agreement, Mitie agreed to purchase Interserve Facilities Management for upfront consideration ("**Consideration**") to be satisfied through the issue to How Group (or, pursuant to the terms of the Share Box Agreement, to the DAC SPV) of 357,723,857 new ordinary shares representing approximately 23.4 per cent.[1] of the enlarged issued ordinary share capital of the Company immediately following the issue of the Consideration Shares (excluding treasury shares and assuming no other Shares are issued by the Company prior to Completion), and a cash payment of £120 million, representing a total consideration of £271 million. Reassuringly both Mitie and Interserve Facilities Management have traded better than expected during the COVID-19 crisis. However, Mitie, in particular, has been successful at renewing strategic contracts and winning new business during this period. Recognising this momentum Mitie has renegotiated the terms of the Acquisition and on 4 November 2020, the parties entered into the Amendment Agreement, which adjusts the amount of new ordinary shares to be issued to How Group (or, pursuant to the terms of the Share Box Agreement, to the DAC SPV) in connection with the Acquisition to 248,396,183 new ordinary shares, representing approximately 17.5 per cent.[1] of the enlarged issued ordinary share capital of the Company immediately following the issue of the Consideration Shares (excluding treasury shares and assuming no other Shares are issued by the Company prior to Completion). Mitie's existing shareholders will therefore hold a greater proportion (82.5 per cent.) of the Enlarged Group and enjoy a greater share of the benefits of the transaction. Based on the Company's share price as at 30 October 2020 (being the latest practicable date for Share price information prior to the date of this document) of 28.20p, the Consideration Shares represented a value of approximately £70.0 million, giving a total implied Consideration for Interserve Facilities Management, including the cash payment of £120 million, of approximately £190.0 million.

The Consideration has been determined on the basis that Interserve Facilities Management will be delivered cash-free/debt-free and with an agreed normalised level of working capital. The cash element of the Consideration will be adjusted for any cash or debt (including debt-like balances) and variance to the agreed normalised level of working capital as at the date of Completion, based on a customary completion accounts mechanism and made in cash.

The Board believes that the combination of Mitie with Interserve Facilities Management will accelerate the delivery of its technology-led strategy, enhance competitive positioning with greater scale, diversification and

[1] A certain portion of the Consideration Shares (equal to £40 million in market value, as at the close of business on the date falling two business days prior to Completion) will be issued to the DAC SPV (as opposed to How Group) as Share Box Shares and become subject to the terms of the Share Box Agreement, pursuant to which they could be returned or delivered to the Company. For such time as the Share Box Shares are held by the DAC SPV, the voting rights attaching to those Shares will be exercised by How Group, and How Group will be able to extract amounts in respect of dividends (subject to certain restrictions under the Share Box Agreement).

resilience, unlock significant growth opportunities and deliver approximately £35 million of cost synergies, thereby increasing sustainable free cash flow, margin accretion and strengthening the financial profile and thus long term value to shareholders.

In the Board's view, the Acquisition will deliver the following key strategic and financial benefits to all key stakeholders, consistent with the Group's Customer, Technology, Cost and People strategic pillars:

(a) Enhancement of the Group's position as one of the United Kingdom's leading facilities management companies. The Enlarged Group will have strong market positions across technical services, security and cleaning services underpinned by leading technological capabilities to deliver a differentiated customer proposition. The Enlarged Group will also benefit from significantly increased scale with *pro forma* revenue before other items of £3.4 billion (excluding joint ventures and associates), pro forma Adjusted EBITDA before other items (pre-IFRS 16 basis) of £150.0 million (before synergies) and approximately 77,500 employees (see Part XIV *Unaudited Pro Forma* Financial Information);

(b) Significant broadening of Mitie's exposure to the public sector, with approximately 50 per cent. of revenue from public sector clients, including Interserve Facilities Management's Central Government & Defence and Communities businesses, incorporating education and health, providing the Enlarged Group with greater diversification across public and private sectors and an extended base of strong and durable customer relationships, together delivering greater underlying earnings resilience;

(c) Annualised pre-tax cost synergies of approximately £35 million expected to be achieved in full within FY23/24 (assuming Completion in or prior to December 2020) focused on corporate overheads and procurement savings, with additional revenue synergies targeted across Interserve Facilities Management's existing healthcare and public sector service offerings as well as in Communities and Business & Industry;

(d) Together with its balance sheet enhancement following the successful Rights Issue and the refinancing of its Revolving Credit Facility, the Acquisition further strengthens Mitie's financial profile as a platform to secure long term financing and deliver sustainable growth, margin accretion and enhanced free cash flow generation; and

(e) Strengthening of Mitie's management team and culture of excellence with high performing and experienced individuals focused on promoting employee engagement and corporate social responsibility.

The Board believes that the financial merits of the Acquisition are compelling for Shareholders:

- The Acquisition is expected to be accretive to earnings per share in FY21/22;
- Return on invested capital from the transaction is projected to exceed cost of capital by the end of FY21/22 (post tax and excluding synergies); and
- The Enlarged Group is expected to have improved profit margins, enhanced free cash flow generation and stronger financial profile offering the opportunity to resume dividends.

The phased integration plan is progressing under the leadership of our Integration Programme Director and her integration team with a target delivery over a twelve month period from Completion supported by certain transitional services agreements over that period.

Owing to its size, the Acquisition constitutes a class 1 transaction for the purposes of the Listing Rules and therefore requires the approval of the Company's Shareholders. A share box agreement, to be entered into in order to provide a certain level of credit support for indemnity claims that the Company may make under the Share Purchase Agreement (the "**Share Box Agreement**"), also requires the approval of the Company's Shareholders, since it constitutes a contingent purchase contract for the purposes of section 694(3) of the Companies Act (see paragraph 2 of Part VIII of this document for further details of the Share Box Agreement). Accordingly, the General Meeting has been convened for 11.00 a.m. on 23 November 2020 at Level 12, The Shard, 32 London Bridge Street, London SE1 9SG, United Kingdom. The notice convening the General Meeting is set out in Part XVIII of this document and a summary and explanation of the Resolutions to be proposed at the General Meeting are set out in paragraph 12 below.

I am writing to give you further details of the Acquisition, including the background to and reasons for it, and to explain why the Board considers the Acquisition to be in the best interests of Shareholders.

2 Summary Information on Mitie and Strategy

Overview of Mitie's Business

Mitie is one of the United Kingdom's leading facilities management and professional services companies, with approximately 48,500 employees as at 30 September 2020 and revenue of £2.2 billion (from continuing operations) in FY19/20.

Mitie delivers services to a diverse, blue-chip customer base, with approximately 70 per cent. of revenue generated from private sector customers, including in industries such as banking and professional services, retail and leisure, manufacturing, construction, utilities, transport and logistics, healthcare and pharmaceuticals, industrial, and technology and communications, and approximately 30 per cent. from the public sector, including central government, local authorities and other public sector bodies and agencies.

Mitie operates through three principal business divisions: Business Services, Technical Services and Specialist Services, as set out below:

- **Business Services**: including personal and technology-led security services, cleaning and environmental services, front-of-house (reception), vetting and document management services, as well as remote monitoring and mobile response for fire and security systems.
- **Technical Services**: including management and delivery of engineering, maintenance, repair and project services, energy and carbon management services, and water and real estate services.
- **Specialist Services**: a number of specialised services, including forensic health services, managing certain immigration care and custody services on behalf of the Home Office, as well as landscaping, waste management and sustainability.

Mitie aims to add value in its service to clients by deploying advanced technology and using smart analytics to provide valuable insight and deliver efficiencies to enhance work environments.

Transformation Programme and Mitie Management

From 2017 onward, Mitie has been focused on a clear strategic five-year plan, focused on customers, technology, costs and people. This transformation programme has been driven by Mitie's leadership team and investments self-supported through operating cash flow, proceeds from the disposal of non-core assets and borrowings. This five-year plan is being rolled out in two phases, phase I: Build Foundations and phase II: Accelerated Value Creation.

As part of this strategy, Mitie aims to: ensure operational excellence and efficiency; attract and retain highly motivated, well-trained, high performing employees who continue to support and drive Mitie's 90 per cent. client retention rates; and embrace technology and innovation across the Group. Where appropriate, Mitie also looks at targeted merger and acquisition opportunities to enhance and differentiate its service offering.

Build Foundations

This initial phase was focused on reversing revenue declines, simplifying the portfolio through non-core disposals and increasing balance sheet strength. Through Project Helix, Mitie has delivered approximately £45 million of run-rate savings across personnel, improved information services, systems and finance functions, consolidating supplier spend and reduced reliance on contractors. Integrating Vision Security Group ("**VSG**") supported scale and savings across the security service offering. Investment through this period delivered Organic Revenue growth at a compound annual growth rate of approximately 6 per cent. from FY16/17 to FY19/20, while cost-related work streams and strategic disposals have reduced Mitie's total indebtedness by approximately £100 million. As part of this drive to simplify Mitie, in 2019 the Security and Cleaning divisions were consolidated under a single Business Services management team, Technical Services was created to incorporate engineering services, projects and "smart building" management services, and Care & Custody, Waste and Landscapes were consolidated into a single Specialist Services division.

During this phase, Mitie has sought to simplify and re-align its portfolio towards its core customer proposition via a number of non-core disposals and complementary acquisitions. Recent acquisitions include the acquisition in FY18/19 of VSG, a leading security services provider, from Compass Group and the acquisition in FY19/20 of Global Aware International Group, a provider of intelligent software and security solutions. Recent disposals of non-core business include the disposal in FY19/20 of Mitie's catering and outside events businesses to CH&Co Catering Group Limited, the disposal in FY18/19 of Mitie's social housing repairs and maintenance business to Mears Group plc, and the disposal in FY18/19 of Mitie's pest control business to Rentokil Initial, following the earlier disposal in FY16/17 of Mitie's domiciliary care and homecare businesses to Apposite Capital.

Accelerated Value Creation

The second phase is focused, over the medium term, on leveraging the gains made during phase I through three core principles: growth, costs and free cash flow.

1. Growth initiatives are supported by Mitie's continued strength in core Business Services and Technical Services, further enhancements in customer-facing technology to improve service capabilities, and deepening relationships with strategic clients. Harnessing Mitie's breadth of core capabilities, increasingly optimised Strategic Account Management is expected to drive improved monetisation of the high-quality client base.
2. Cost targets aim to utilise Mitie's improved technologically-enabled capabilities for workforce and workflow management and process automation for transaction and service booking, supporting improvement in cost-to-serve across a scalable and differentiated technology offer. Project Forte is a transformational programme targeting overall delivery of approximately £25 million of cost savings within Technical Services and approximately £5 million of savings from Group-wide automation. Mitie has delayed certain aspects of Project Forte by six months as a result of the COVID-19 situation whilst continuing supply chain management initiatives that were already underway – with an aim to realise overall benefits by the end of FY22/23.
3. Mitie aims to drive free cash flow through these continued initiatives, realising the benefits of costly transformation activities undertaken in recent years and targeting accelerated deleveraging.

Mitie's transformation programme has been supported by its executive leadership and division heads, under the leadership of Phil Bentley, who joined Mitie in November 2016 and was appointed CEO in December 2016.

Mitie's transformation programme has significantly improved Mitie's total financing position and financial performance during this period. These initiatives have improved Mitie's financial strength and customer service levels, supported employee engagement, Net Promoter Score (NPS) and market share growth, and helped Mitie build its pipeline for future business. From the first half of FY17/18 to FY19/20, Mitie's Net Debt (pre-IFRS 16) decreased from £172.6 million to £74.9 million. In FY19/20, Mitie generated revenue from continuing operations of £2,173.7 million, as compared to £2,085.3 million in FY18/19 (re-presented for discontinued operations) and £1,893.5 million in FY17/18 (re-presented for discontinued operations), and operating profit before other items from continuing operations of £86.1 million in FY19/20, as compared to £79.6 million in FY18/19 (re-presented for discontinued operations) and £74.5 million (re-presented for discontinued operations) in FY17/18.

Shareholders will be well aware of general economic volatility in the United Kingdom and in the global economy and financial markets generally, principally as a result of the impact of the global outbreak of COVID-19 and the continued uncertainty stemming from negotiations on the United Kingdom's future trading relationship with the European Union. The Board is continuing to monitor these developments closely and to take appropriate actions to mitigate the impact on customers, Shareholders, employees and other stakeholders. The recently completed refinancing of Mitie's Revolving Credit Facility and Rights Issue have further strengthened Mitie's financial position and provided the Group with a robust balance sheet and sufficient liquidity to withstand the macro-economic challenges presented by the COVID-19 pandemic.

The Board remains convinced of the compelling strategic and financial benefits of the Acquisition as set out herein. In the Board's view, the combination of Mitie with Interserve Facilities Management will create an Enlarged Group that has greater scale, resilience and the ability to address the challenges and opportunities arising from the current environment, as well as future challenges and opportunities, to deliver long-term sustainable growth and cash flow generation to shareholders.

Summary Information on Interserve Facilities Management

Interserve Facilities Management is one of the leading UK-focused facilities management business, providing its customers with a range of hard, soft and specialist facilities management services, such as mechanical & engineering services, building fabric maintenance, grounds maintenance, cleaning, catering, security and logistics services. Interserve Facilities Management has a diverse customer base, including the UK Government and other public sector customers, such as local councils, schools and hospitals, as well as a variety of private sector customers, from corporate offices and manufacturing plants to industrial sites.

Interserve Facilities Management operates through three principal business divisions, which are categorised by the customer's sector, as set out below.

- **Central Government & Defence ("CG&D")**: provides facilities management services to central government departments in the United Kingdom and Europe, and the Ministry of Defence in the United Kingdom and overseas.
- **Communities**: provides services to devolved public sector customers, with a focus on community environments in healthcare, schools and universities, emergency services, and local authorities.
- **Business & Industry ("B&I")**: provides services to private sector and other customers, including corporates, regulated businesses, retail, shopping centres, transport providers and manufacturing and industrial companies. B&I includes Interserve Facilities Management's standalone Spanish operations.

Interserve Facilities Management's hard and soft service capabilities are offered to customers in each of the three principal business divisions. For the year ended 31 December 2019, Interserve Facilities Management's revenue including share of associates and joint ventures was £1,310.1 million before other items, its total operating profit before other items was £34.0 million and its Adjusted EBITDA was £42.0 million (pre-IFRS 16 basis). Interserve Facilities Management employed approximately 29,000 employees across the UK and Spain as at 31 August 2020.

Mitie considers that Interserve Facilities Management is an excellent strategic fit for the Group with highly complementary capabilities and significant operational, financial and commercial synergies. The Acquisition will enhance Mitie's sector participation in Central Government & Defence to 26 per cent. of overall revenue whilst adding Communities, which incorporates education and health, takes overall public sector exposure to approximately 50 per cent. This will enable Mitie to further strengthen its core service offering. In particular, in Technical Services, Interserve Facilities Management has a leading capability in maintenance services; in the Security market where Interserve Facilities Management supplies customers in the public sector, critical security environment and aviation sectors where the Enlarged Group will benefit from the Mitie Workplace+ operating platform and the utilisation of Mitie's Global Security Operations Centres (GSOC); and finally in cleaning services, where Interserve Facilities Management is a leader in clinical cleaning standards in hospitals.

3 Background to and Reasons for the Acquisition

In December 2019, Mitie presented its Customer, Technology, Cost and People strategy to enable the Group to achieve the Board's long-term vision of market leadership through enhanced scale, improved financial performance and stability. Since then, Mitie has also had to contend with the impact of the COVID-19 pandemic on its business which it has addressed proactively with a range of decisive management actions resulting in a more resilient performance than initially expected.

The Board has also been particularly focused on identifying ways in which Mitie can enhance its commercial and financial position in the post COVID-19 environment.

The Board believes that the combination of Mitie with Interserve Facilities Management will accelerate the delivery of its technology-led strategy, enhance competitive positioning with greater scale, diversification and resilience, unlock significant growth opportunities and deliver approximately £35 million of cost synergies, thereby increasing sustainable free cash flow, margin accretion and strengthening the financial profile and thus long term value to shareholders. In the Board's view, the Acquisition will deliver the following key strategic and financial benefits to all key stakeholders, consistent with the Group's Customer, Technology, Cost and People strategic pillars:

(a) Enhance Mitie's position as a leading UK integrated facilities management provider with strong positions across core service lines and a differentiated service offering underpinned by leading technology

The Acquisition will enhance Mitie's position as a leading integrated facilities management provider in the UK with strong market positioning across core technical, security and cleaning services underpinned by leading technological capabilities. The Enlarged Group will benefit from significantly increased scale with *pro forma* revenue before other items of £3.5 billion (including its share of joint ventures and associates), pro forma Adjusted EBITDA before other items (pre-IFRS 16 basis) of £150.0 million (before synergies) and approximately 77,500 employees, allowing Mitie to accelerate its transformation towards its long-term vision targets (see Part XIV *Unaudited Pro Forma Financial Information*).

Enhanced service portfolio with customer and sector diversification

Through the combination of two highly complementary service portfolios, the Enlarged Group will consolidate its position as one of the UK's leading facilities management providers over time across core service lines, including technical maintenance services, security services and cleaning services.

The combination of Mitie with Interserve Facilities Management will enhance sector diversification towards the public sector, which is expected to show resilience during the COVID-19 pandemic. Mitie expects that its portfolio will be broadly balanced following Completion, with approximately 50 per cent. of revenue from the public sector, including Central Government & Defence and Communities, incorporating Education and Health (vs. 30 per cent. previously) and 50 per cent. from private sector contracts. Public sector revenue is expected to continue to be driven by work in the central & local government sector, comprising approximately one-half of the Enlarged Group's public sector revenue, as well as contracts in the defence, health and education sectors. In the private sector, contracts with customers in the finance and professional services sector are expected to comprise approximately one-third of private sector revenue, with the balance generated across the retail, transport & logistics, and manufacturing sectors. The Enlarged Group will serve customers across a variety of sectors spanning banking and the professional services, retail and leisure, manufacturing, UK central government and defence, other public sector customers and communities, construction, utilities, transport and logistics, healthcare and pharmaceuticals, industrial, and technology and communications; with the top 50 customers representing approximately 53 per cent. of the Enlarged Group.

Leverage technology investment to deliver Digital Transformation and improved customer service

Mitie's transformation journey over the past few years has created a significant opportunity for value creation. With enhanced scale following the Acquisition and a robust capital structure to support strategic initiatives, the Enlarged Group will pursue the delivery of phase II of its transformation plan via Project Forte and leverage continued investments in technology to target efficiencies and differentiated service propositions to both public and private customers. Mitie expects, in particular, significant value creation opportunities from:

- enhanced position in technical, security and cleaning services, enabling efficiencies and improved margin performance;
- improved capacity to fund technology and innovation with the ability to transfer Mitie's leading capabilities to Interserve Facilities Management's estate and explore upselling opportunities to Interserve Facilities Management's customers; and
- operational improvements in Interserve Facilities Management's commercial, financial, HR and IT systems and processes to bring them into line with Mitie's standards.

Mitie believes that the Enlarged Group's enhanced service capabilities, underpinned by Mitie's leading technology, will present a compelling integrated facilities management customer proposition across its target markets thus supporting new wins, improving customer satisfaction (NPS score) and customer retention, in turn promoting longstanding customer relationships (approximately 40 per cent. of Interserve Facilities Management's contracted revenue is secured beyond 2023) and ultimately driving sustained profitable growth in the long term.

Consolidation platform in the UK facilities management space

Following the Acquisition, the Enlarged Group will continue to assess its service portfolio and explore further infill consolidation opportunities in line with Mitie's current strategy. The Board believes that in a still fragmented UK facilities management market there is a significant and compelling opportunity for the Enlarged Group to further consolidate its position as one of the UK's leading Facilities Management providers over time.

(b) Significantly enhance Mitie's exposure to the public sector and provide the Enlarged Group with a balance between public and private sectors

Mitie has identified the public sector as a potential growth opportunity and has recently renewed its focus on this area with a formal appointment to the Crown Commercial Service frameworks for Security (in January 2019) and Defence (in April 2019). Interserve Facilities Management's highly complementary service and client portfolio will support Mitie's efforts to accelerate the growth of its government and public services offering.

With 41 per cent. of its 2019 revenue in the Central Government & Defence (CG&D) division and 23 per cent. in the Communities division (each including revenue from joint ventures and associates), Interserve Facilities Management has a particularly strong positioning with the Ministry of Defence, Central

Government and hospitals (including PFI arrangements), which tend to have longer-term contracts, and where Mitie has limited presence and scale today.

Central Government & Defence (CG&D)

The acquisition of Interserve Facilities Management will provide Mitie with strong positions in UK Government and UK defence services and expertise in delivering large complex contracts including overseas-integrated support provider contracts for the Ministry of Defence and integrated facilities management contracts across the Department for Environment, Food and Rural Affairs estate. Interserve Facilities Management enjoys strong relationships with the Ministry of Defence and other government customers and stakeholders, with high retention rates and a high proportion of engineering and security services contracts at attractive margins.

Communities

The acquisition of Interserve Facilities Management will contribute a portfolio of long term facilities management contracts delivered to PFI customers, which provide a long-term income profile in the healthcare, schools and emergency service sectors, with a high proportion of integrated facilities management and bundled contracts enjoying attractive margins and high retention rates.

Accordingly, the Board expects the Acquisition to provide a significant uplift in public sector work, thereby enhancing Mitie's presence in a key strategic growth area and supporting balanced underlying exposure to public and private sectors.

In addition, Interserve Facilities Management's Business & Industry division has developed core expertise in the provision of total facilities management services to critical operating environments, including regulated, manufacturing and corporate sectors, that will complement Mitie's existing private sector business.

(c) Unlock significant cost synergies

The Board estimates that, as a result of and contingent on completion of the Acquisition, the Enlarged Group will be in a position to deliver recurring annualised pre-tax cost synergies of approximately £35 million which are expected to be achieved in full within FY23/24 (assuming Completion in or prior to December 2020).

Recurring cost synergies

Substantial annualised pre-tax cost synergies have been identified across the following areas:

- duplication of corporate costs and functional overheads and targeting other efficiencies to support estimated cost savings of approximately £15.9 million: rationalisation of overlapping headcount in sales and business development, finance, human resources, procurement, operational support, back office and centralised functions (approximately £13.2 million); and increased efficiencies from customer contact and utilisation of engineering employees in relevant service areas (approximately £4.1 million); partially offset by dis-synergies in relation to a benefit uplift for employees joining Mitie (approximately £1.4 million);
- application of the Mitie model and IT platforms across the Enlarged Group to support estimated cost savings of approximately £7.6 million: integration of supporting infrastructure costs in IT, through streamlining of the IT application estate (approximately £5.1 million); and consolidating space and real estate, including relocation to smaller cost-efficient premises (approximately £2.5 million); and
- improved supplier procurement terms by leveraging the enlarged scale and enhanced financial position of the Enlarged Group, to support estimated cost savings of approximately £11.5 million: strategic supply chain management and sourcing, and other procurement opportunities.

The cost savings from duplication of corporate costs and functional overheads relate primarily to the rationalisation of overlapping headcount in the United Kingdom. It is expected that the Enlarged Group would have approximately 77,500 employees at completion of the Acquisition. The combined business will seek to bring the best of both organisations together.

The Board expects that the Enlarged Group will benefit from approximately £12.3 million of these synergies in FY21/22, £29.1 million of these synergies in FY22/23, and £35 million in FY23/24, assuming Completion in or prior to December 2020. The synergies of approximately £35 million represent the net benefits and are inclusive of all identified dis-synergies.

It is expected that the realisation of these synergies will incur one-off cash costs of approximately £33 million—with approximately £5.6 million estimated in FY20/21, approximately £20.4 million estimated in FY21/22 and approximately £7.4 million estimated in FY22/23. Key activities and costs are expected to include technology and IT investment of approximately £19.0 million (comprising approximately £3.0 million of technology operating expenditure, £11.1 million of capital expenditure and approximately £4.9 million of operating expenditure arising from the post-Completion transitional service arrangements); overheads of approximately £8.3 million (comprising relocation and other property operating expenditure of £1.8 million; approximately £5.5 million of restructuring in support functions; and approximately £1.0 million of dual-running finance costs); and costs related to the Acquisition of approximately £6.0 million (comprising approximately £2.9 million for rebranding activities and approximately £3.1 million across integration management).

Other growth opportunities

In addition to the combination benefits highlighted above, the Board will target further revenue synergies from cross-selling bundled services to existing customers and improving the technology offering to non-overlapping clients, thereby improving service quality and increasing customer retention.

Key focus areas will include targeted growth in a number of existing Interserve Facilities Management activities, as well as service and efficiency improvements across the Enlarged Group's full range of service offerings. In the Communities and Business & Industry business divisions, the Enlarged Group aims to work with existing customers to create new opportunities for bundled and integrated facilities management offerings and to cross-sell hard services where relevant, leveraging relationships developed by Interserve Facilities Management to grow revenue. The Enlarged Group will also target operational efficiencies, through automation, technology improvements and energy optimisation, to improve service quality and the value proposition with an aim of increasing customer retention and conversion rates. In public sector activities, the Enlarged Group will aim to leverage existing healthcare, defence and central government capabilities, know-how and experience to grow its integrated offering in these key sectors.

Absent the Acquisition, Mitie would not be able to achieve these additional potential synergies. In addition, the Enlarged Group's ability to realise the targeted synergies is subject to risks and based on various assumptions regarding anticipated timing, integration steps, costs and other factors, including many beyond its control, that may not be accurate. See "*The anticipated benefits and targeted synergies in connection with the Acquisition are based on certain assumptions and estimates that may prove inaccurate*" in Part II.

(d) Enhance Mitie's financial profile to secure sustainable long-term growth and margin accretion

Interserve Facilities Management has a strong trading financial profile with revenue including share of associates and joint ventures of £1,310.1 million before other items, total operating profit before other items of £34.0 million and Adjusted EBITDA of £42.0 million (pre-IFRS 16 basis) for the year ended 31 December 2019, underpinned by large profitable long-term public sector contracts and a blue-chip private customer base with a track record of high retention.

The Board believes that, as a result of the combination, the Enlarged Group will have improved profit margins, enhanced free cash flow generation and a stronger financial position with greater scale, resilience and a low leverage in line with key strategic targets.

The Acquisition is expected to be accretive to Mitie's earnings per share in FY21/22, and return on invested capital is projected to exceed the cost of capital by the end of FY21/22, excluding synergies, on a post-tax basis.

The Acquisition, including the synergies to be extracted from the combination, will therefore improve Mitie's financial profile and the Enlarged Group will benefit from a strong capital structure as a resilient platform able to withstand the near term challenges presented by COVID-19 and deliver long-term capital and dividend growth.

(e) Further strengthen Mitie's management team and culture of excellence with high performing and experienced individuals

Interserve Facilities Management's senior management team shares Mitie's culture of excellence and will bring significant operating and management expertise to the Enlarged Group. With a strong track record of promoting employee engagement and corporate social responsibility, they will further help deliver on the Enlarged Group's ESG targets. The broader Interserve Facilities Management team has extensive experience in the facilities management industry and strong commercial capabilities, with a particular focus on large integrated facilities management contracts with both public sector and regulated, manufacturing and corporate clients.

4 Summary of the Key Terms of the Acquisition

Sale and Purchase Agreement

On 25 June 2020, the Company and How Group entered into an agreement for the sale and purchase of the entire issued share capital of Interserve Facilities Management by the Company (the "**Original Share Purchase Agreement**"). On 4 November 2020, the Company and How Group entered into an amendment agreement to the Original Share Purchase Agreement (the "**Amendment Agreement**" and, as the Original Share Purchase Agreement is so amended, the "**Share Purchase Agreement**"), which adjusts elements of the consideration payable in respect of the Acquisition and certain other terms of the Original Share Purchase Agreement.

On Completion, Interserve Facilities Management will become a wholly owned subsidiary of the Company. The principal terms of the Share Purchase Agreement are briefly summarised below and further detail is set out in Part VIII of this document.

Consideration

Pursuant to the terms of the Share Purchase Agreement, the consideration for the purchase of the entire issued share capital of Interserve Facilities Management will be as follows:

(a) the Company will issue 248,396,183 Consideration Shares in the capital of Mitie to How Group or the DAC SPV representing approximately 17.5 per cent.[1] of the share capital of Mitie immediately following such issue (excluding treasury shares and assuming no other Shares are issued by the Company prior to Admission); and

(b) the Company will pay How Group £120 million in cash.

The consideration has been determined on the basis that Interserve Facilities Management will be delivered cash-free/debt-free and with an agreed normalised level of working capital. The cash element of the consideration will be adjusted for any cash or debt (including debt-like balances) and variance to the agreed normalised level of working capital as at the date of Completion, based on a customary completion accounts mechanism.

A certain portion of the Consideration Shares (representing £40 million in market value, as at the close of business on the date falling two business days prior to Completion) shall become subject to the Share Box Agreement pursuant to which any of those Consideration Shares may be sold in the open market or transferred back to the Company to satisfy certain indemnity claims made under the Share Purchase Agreement (see paragraph 2 of Part VIII of this document for further details of the Share Box Agreement).

Conditions

Completion is subject to the satisfaction (or, where permitted, waiver) of certain customary conditions by 31 March 2021 (or any later date as the Company and How Group may agree or as is determined in accordance with the terms of the Share Purchase Agreement). Such conditions include: approval of the Resolutions in relation to the Acquisition by the Shareholders at the General Meeting to be convened pursuant to the Notice of General Meeting set out in Part XVIII of this document; and the amendment of the Interserve Pension Scheme trust deed and rules to allow independent operation of certain sections thereunder and the receipt of Interserve Pension Scheme trustee consent to the Acquisition (or How Group having determined that it does not intend to seek such consent) and a clearance statement issued by the Pensions Regulator in respect of the Acquisition having been obtained (or both of How Group and the Company having determined that they do not intend to seek clearance in respect of the Acquisition). In addition, Completion is also conditional upon necessary regulatory approvals having been obtained. In particular, approval from the Competitions and Markets Authority in respect of the Acquisition is required.

A number of the conditions to Completion under the Share Purchase Agreement have, as at the date of this document, been satisfied as follows:

- Approval by the shareholders of the Company of the resolutions relating to the Rights Issue was received at the general meeting of the Company held at 11.00 a.m. on 13 July 2020. The results of the general meeting were published through the RNS on 13 July 2020;

1 A certain portion of the Consideration Shares (equal to £40 million in market value, as at the close of business on the date falling two business days prior to Completion) will be issued to the DAC SPV (as opposed to How Group) as Share Box Shares and become subject to the terms of the Share Box Agreement, pursuant to which they could be returned or delivered to the Company. For such time as the Share Box Shares are held by the DAC SPV, the voting rights attaching to those Shares will be exercised by How Group, and How Group will be able to extract amounts in respect of dividends (subject to certain restrictions under the Share Box Agreement).

- Admission of the Shares in connection with the Rights Issue occurred at 8.00 a.m. on 29 July 2020. Confirmation of admission of these Shares was made by way of announcement on the RNS at 7.00 a.m. on 29 July 2020;
- Each of the relevant counterparties to the Landmarc joint venture have confirmed in writing that they are supportive of the Acquisition proceeding and do not intend to attempt to exercise any rights that they may have under the shareholder arrangements in respect of the Landmarc joint venture that may arise as a result of the Acquisition; and
- The consent of the lenders under the Revolving Credit Facility to the Acquisition was received on 20 October 2020. Consent of the holders of the US Private Placement Notes under the Note Purchase Agreement was not required as the gross cash proceeds of the Rights Issue were greater than £160 million.

Under the terms of the Amendment Agreement, the Company agreed to waive the conditions in the Original Share Purchase Agreement requiring that no termination event be subsisting relating to Interserve Facilities Management's cyber incident having directly resulted in a material adverse effect on Interserve Facilities Management, in line with the limited impact that the cyber incident is expected to have on Interserve Facilities Management's ongoing operations.

Warranties and indemnification

The Share Purchase Agreement contains warranties which are customary for a transaction of this nature, including certain fundamental warranties in respect of How Group's power and authority to enter into and perform the Share Purchase Agreement and title to its shares in Interserve Facilities Management. The Share Purchase Agreement also contains indemnities given by How Group in respect of, amongst other things, Interserve Facilities Management's cyber incident and the reorganisation of Interserve Facilities Management undertaken prior to the Share Purchase Agreement. Each party has obtained warranty and indemnity insurance in respect of the warranties in the Share Purchase Agreement and indemnities in the tax deed, subject to certain specified limitations agreed with the relevant insurers, to provide recourse for the Company in the event that certain warranties are breached and/or payment becomes due pursuant to the tax deed. The Share Purchase Agreement also contains other customary limitations and exclusions on liability.

Conduct before Completion and termination rights

How Group has agreed, subject to customary exceptions, that the business of Interserve Facilities Management will be carried on in the ordinary course and that certain specific actions (being customary in a private acquisition) will not be taken without the prior written consent of the Company, in each case prior to Completion. The Company has agreed that certain limited corporate actions will not be taken without the prior written consent of How Group prior to Completion, including not declaring, making or paying a dividend and not issuing new shares (other than in respect of the Rights Issue, the Consideration Shares or those issued in connection with the Company's employee share plans).

The Share Purchase Agreement may be terminated by the Company in certain circumstances including a material breach of certain provisions of the Share Purchase Agreement and may also be terminated by the mutual agreement of How Group and the Company.

Lock-up arrangements

How Group (and its nominees) has agreed that the Consideration Shares will be subject to certain lock up and orderly market restrictions as follows:

- No Consideration Shares may be disposed of in the 90-day period following Completion. During the 90-day period commencing 91 days following Completion, a first single block of up to £25 million worth of Consideration Shares may be disposed.
- During the 90 day period commencing 181 days following Completion, a second single block of up to £25 million worth of Consideration Shares may be disposed (the value of each of the first single block and the second single block being subject to adjustment in connection with any release of value under the escrow arrangement). No Consideration Shares may be disposed of in the period commencing immediately after any second single block disposal and ending 360 days following Completion.

- During the 90-day period commencing 361 days following Completion, a third single block of such number of Consideration Shares as is equal to 5 per cent. of the total issued share capital of the Company may be disposed of. No Consideration Shares may be disposed of in the period commencing immediately after any third single block disposal and ending 450 days following Completion.
- During the 90-day period commencing 451 days following Completion, a fourth single block of such number of Consideration Shares as is equal to 10 per cent. of the total issued share capital of the Company may be disposed of. No Consideration Shares may be disposed of in the period commencing immediately after any fourth single block disposal and ending 540 days following Completion.

The lock-up and orderly market restrictions are subject to certain customary exceptions and do not apply to certain disposals, including: (i) any disposal to which the Company gives prior consent; (ii) an acceptance of a general offer for the Company made under the UK Takeover Code (including an irrevocable to accept); (iii) any disposal pursuant to a scheme of reconstruction under section 110 of the Insolvency Act 1986 in relation to the Company; and (iv) a disposal pursuant to a compromise or arrangement under section 896 of the Companies Act 2006 providing for the acquisition by any person of 50 per cent. or more of the ordinary share capital of the Company. The lock-up and orderly market restrictions do not apply to any Consideration Shares released from the Share Box Arrangement (as described in paragraph 2 of Part VIII of this document) to the extent such Consideration Shares are to be disposed of to realise sufficient cash proceeds in order to satisfy any indemnity claims determined in favour of the Company (including in a case where a delayed transfer results in a right by How Group to direct such market sale). Additionally, the lock-up restrictions do not apply to any Consideration Shares available to be released early from the Share Box Arrangement pursuant to the provisions of Share Purchase Agreement to the extent they are disposed of to realise sufficient cash proceeds in order to satisfy any fine imposed on any member of the retained Interserve group by the ICO in relation to the cyber incident, provided that any such disposal shall be effected with the intention of ensuring an orderly market provisions in such shares. Future sales of substantial amounts of Shares by How Group (or its nominees) following the expiration of the applicable lock-up periods or in accordance with the exceptions to such lock-up arrangements, or the perception that such sales were imminent, could adversely affect the prevailing market price of the Shares.

Transitional Services Arrangements

The Company and How Group have agreed to enter into certain transitional services arrangements from Completion. These include:

- a transitional agreement to be entered into between How Group, as supplier, and Interserve Facilities Management, as customer, whereby following Completion Interserve Facilities Management would receive transitional services from How Group. These will include, in particular, IT operations services and certain other back office support services. The front end terms of the transitional agreement are in agreed form and the parties have been working together over recent months to agree the precise scope and duration of the services to be provided and the charges to be paid for them; and
- a reverse transitional agreement to be entered into between How Group, as customer, and Interserve Facilities Management, as supplier, whereby following Completion How Group would receive from Interserve Facilities Management reverse transitional services and, in particular, IT operations services and related information security services. The front end terms of the reverse transitional agreement are in agreed form and mirror in all material respects those of the transitional agreement and the parties have been working together over recent months to agree the precise scope and duration of the services to be provided and the charges to be paid for them.

5 Financing of the Acquisition and Shareholder Dilution

The consideration to be paid by the Company to How Group in connection with the Acquisition will comprise:

(a) the issue by the Company of 248,396,183 Consideration Shares in the capital of Mitie to How Group or the DAC SPV representing approximately 17.5 per cent.[1] of the share capital of Mitie immediately following such issue (excluding treasury shares and assuming no other Shares are issued by the Company prior to Admission); and

(b) cash consideration of £120 million.

How Group (and its nominees) has agreed that the Consideration Shares will be subject to certain lock-up and orderly market restrictions following issue as further described at paragraph 4 above.

The fees and expenses of the Acquisition and Admission will be financed from the Group's existing cash resources.

6 Management and Employees

The Company attaches great importance to the skills and experience of the management and staff of Interserve Facilities Management, who are expected to contribute to the growth of the Enlarged Group.

It is expected that the 29,000 Interserve Facilities Management employees, of whom the vast majority are frontline, will benefit from joining Mitie with its culture of wellbeing and reward, alongside the benefits of Mitie's sophisticated technology enabling improved efficiency and direct communication to the whole workforce from day one.

It is intended that Interserve Facilities Management's operations will be largely transferred to the Group's operating platform, which will necessitate the restructuring of Interserve Facilities Management's operational and administration functions. The Board confirms that the existing statutory and contractual employment rights, including accrued pension rights of all Interserve Facilities Management employees, will be fully safeguarded upon and following Completion.

7 Current Trading and Prospects

Mitie

Trading has continued to be more resilient than expected. Second quarter FY20/21 revenue was up 12 per cent. on the first quarter, with monthly sequential improvements in sales particularly across Cleaning, Security and fixed Technical Services contracts. Mitie's public sector contracts have shown good resilience during this challenging period and it has also seen strong performances from its food retail, online retail, healthcare and pharmaceuticals customers. However, demand from its property and finance & professional services clients remained weak although the second quarter FY20/21 was somewhat better than the first quarter as office space reopened.

Group revenue from continuing operations for the second quarter FY20/21 was £514 million versus £458 million in the first quarter of FY20/21. For the six months ended 30 September 2020 revenue from continuing operations was £972 million, which was 9.8 per cent. lower than the same period in the prior year. This revenue decline includes 3.8ppts from the known loss of the MOJ contract and the reduced scope of the NHS Properties contract.

During the six-month period Mitie has won or renewed contracts worth c. £500 million largely in security and cleaning. About a quarter of this business was directly attributable to COVID-19 and included the provision of public services in support of the DHSC and NHS as well as the provision of a number of related services for private sector customers to counter the impact of the pandemic and to get British business back up and running.

Mitie has also extended the term of eight of the nine strategic accounts up for renewal in FY20/21 with one remaining contract being subject to ongoing extension discussions.

Business Services

Business Services—representing c. 51 per cent. of Group revenue—reported revenue in the first six months of FY20/21 of £500 million, up 2.0 per cent. against the same period last year with a strong performance attributable to an increased demand for public services, security, deep cleaning and our specialist cleaning service using "Citrox Protect" to counter COVID-19, particularly in the second quarter of FY20/21. This takes into account the loss of the MOJ contract which ended on 31 March 2020. Business Services has won or renewed contracts worth over £300 million in the period through the provision of COVID-19 related public services, NHS Nightingale hospitals and from new long-term contracts including HMRC, Hammerson, M&S and Co-op.

---

[1] A certain portion of the Consideration Shares (equal to £40 million in market value, as at the close of business on the date falling two business days prior to Completion) will be issued to the DAC SPV (as opposed to How Group) as Share Box Shares and become subject to the terms of the Share Box Agreement, pursuant to which they could be returned or delivered to the Company. For such time as the Share Box Shares are held by the DAC SPV, the voting rights attaching to those Shares will be exercised by How Group.

Technical Services

Technical Services—representing 38 per cent. of Group revenue—has seen the greatest impact from COVID-19 as discretionary variable work and demand for engineering projects has significantly reduced. Reported revenue in the first six months of FY20/21 was £367 million, down 22 per cent. against the same period last year, however second quarter revenue grew by 25 per cent. versus the first quarter of FY20/21. Excluding the known loss of the MOJ and NHS Properties contract, the more resilient fixed maintenance contracts were 5 per cent. ahead year on year reflecting strong relationships and the vital services provided to our customers. Discretionary variable works and projects contracted 33 per cent. and 38 per cent. respectively in the first half of the year, as clients' capital budgets were put on hold. During the same period Technical Services won or renewed contracts worth c. £100 million.

Specialist Services

Specialist Services—representing 11 per cent. of Group revenue—reported revenue in the first six months of FY20/21 of £105 million in the first six months of FY20/21, 10.1 per cent. lower than the same period last year. Care & Custody reported revenue of £51 million, down 8.7 per cent. reflecting a reduction in Escorting Services. Waste Management reported a 15.6 per cent. decline in revenue to £34 million, as customers within the finance & professional services, leisure and transport sectors had less need for Waste's services, partially offset by some additional NHS work. Although Landscaping revenue declined by 3.2 per cent. to £21 million in the first half of FY20/21, second quarter revenue was up 16 per cent. versus the first quarter of FY20/21.

Operating profit

Management actions to mitigate the impact of the revenue decline due to COVID-19 included voluntary salary reductions from April to August, overhead savings and additional self-help measures. In addition Mitie furloughed 7,196 employees, most of whom had returned to their roles by the end of September.

Traditionally, second half profitability is materially higher due to Winter Services and greater project work, although there is continued uncertainty with the impact of COVID-19.

Net debt[1] and working capital

For the six months to 30 September 2020 average daily net debt on a post IFRS16 basis was £69.3 million (£351 million for the six months to 30 September 2019). During this period Mitie received £191.8 million from the net proceeds of the Rights Issue and benefitted by £130.3 million from the HMRC "Time to Pay" tax deferral scheme. This reflects improvement of c. £100 million, as compared to the prior year, as a result of better working capital management and the net proceeds from M&A.

Closing net cash on a post IFRS 16 basis as at 30 September 2020 was £89.7 million (31 March 2020 net debt post IFRS 16 was £167.9 million).

As stated in the trading update of 27 March 2020, due to the ongoing uncertainties of the impact of COVID-19 on the business, Mitie will not be providing guidance for the year ending 31 March 2021 at this time. In this context the Board does not expect to declare an interim dividend for FY20/21 (interim dividend FY19/20 was 1.33p; the Rights Issue adjusts the dividend to 0.69p).

Interserve Facilities Management

Interserve Facilities Management reported revenue for the seven months to period ended 31 July 2020 of £703.8 million, including its share of revenue from the Landmarc joint venture. This is below the same period in 2019 largely due to known contract exits including high street retail contracts and other terminations. COVID-19 has impacted the period April to July with a decline in variable works and site closures somewhat offset by additional public sector work relating to COVID-19.

Central Government & Defence, which accounts for 45 per cent of Interserve Facilities Management's revenues, has been relatively resilient to the COVID-19 crisis delivering a strong underlying performance. The improved revenue mainly relates to contract growth with a number of central government departments and additional work. Additional work requested by central government customers to maintain operational services in areas such as the Department of Work and Pension Jobcentres has been offset by a reduction in project work across the Defence International Estates as work has been put on hold during the COVID-19 lockdown.

1 Adoption of IFRS 16 has added c. £90 million of additional lease liabilities to net debt.

Communities (Health, Local Government and Education), which accounts for 23 per cent. of Interserve Facilities Management's revenues, reported slightly lower revenue than the prior year as contract losses and in-sourcings were offset by additional work from COVID-19, including across the NHS portfolio and Manchester Nightingale Hospital.

Business and Industry which accounts for 29 per cent. of Interserve's revenues, reported lower revenue due to planned exits from high street retail along with other contract exits and terminations. The remaining declines were due to COVID-19 as a result of site closures and service reductions.

8 Risk Factors

Shareholders should consider fully and carefully the risk factors, as set out in Part II of this document, when considering whether or not to vote in favour of the Resolutions.

Shareholders should read the whole of this document and not rely solely on the information set out in this letter.

9 Dividend Policy

Earlier in the year, in light of the unprecedented uncertainty due to the COVID-19 pandemic, the Company announced that the Board had concluded that all reasonable steps should be taken to preserve the financial strength of the Company and, accordingly, decided not to recommend a final dividend for FY19/20. The Board continues to monitor the potential of future dividend payments for this financial year and, taking into consideration the interests of all stakeholders, has concluded that in light of the continuing impact of the COVID-19 pandemic it remains prudent for there not to be a resumption of dividend payments at this stage. Therefore, the Board does not expect to declare an interim dividend for HY20/21. However, recognising the importance of dividends to all shareholders, the Board will keep under review the possibility of a resumption of dividends for FY20/21, but only in the event overall trading improves materially during the second half of the financial year.

10 Further Information

Your attention is drawn to the further information set out in Parts VIII to XVIII of this document. Shareholders and prospective investors should read the whole of this document and not rely solely on the information set out in this letter. In addition, you should consider the risk factors set out on pages 12 to 39 of this document.

11 General Meeting

The implementation of the Acquisition is conditional upon, among other things, Shareholder approval of the Resolutions being obtained at the General Meeting. Accordingly, you will find set out in Part XVIII of this document a notice convening a general meeting of Mitie to be held at Level 12, The Shard, 32 London Bridge Street, London SE1 9SG at 11.00 a.m. on 23 November 2020. The General Meeting is being held for the purpose of considering and, if thought fit, passing the Resolutions. A summary and explanation of the Resolutions are set out below, but please note that this does not contain the full text of the Resolutions and you should read this section in conjunction with the Resolutions in the Notice of General Meeting in Part XVIII of this document.

12 Resolutions

The Resolutions will be proposed as ordinary resolutions requiring a simple majority of votes in favour. The Acquisition will not proceed if all of the Resolutions are not passed. The Resolutions propose that:

(a) the Acquisition be approved and that the Directors be authorised to implement the Acquisition;

(b) the Directors be authorised to allot 248,396,183 Consideration Shares in connection with the Acquisition with an aggregate nominal amount of £6,209,904.58, representing approximately 21.2 per cent. of the total issued ordinary share capital of the Company (excluding treasury shares and assuming no other Shares are issued by the Company prior to Admission) as at 29 October 2020 (being the latest practicable date prior to publication of this document). The authority will expire on the conclusion of the Company's AGM in 2021; and

(c) the terms of the proposed Share Box Agreement providing for the purchase by the Company of certain of its own shares by way of an off-market purchase (as defined by section 693(2) of the Companies Act 2006) be approved and authorised for the purposes of section 694 of the Companies Act 2006. The authority will expire on 23 November 2025.

Voting on the Resolutions at the General Meeting will be conducted on a poll rather than a show of hands. The full text of the Resolutions is set out in the Notice of General Meeting.

13 Actions to be Taken

Set out in Part XVIII of this document is a notice convening the General Meeting to be held at 11.00 a.m. on 23 November 2020 at Level 12, The Shard, 32 London Bridge Street, London SE1 9SG, United Kingdom. At the General Meeting, the Resolutions will be proposed for approval. Shareholders are strongly encouraged to vote on the Resolutions. However, in light of the guidance regarding precautions to be taken in light of the COVID-19 outbreak (detailed in paragraph 14 of this Part VII below), Shareholders will be unable to attend the General Meeting. Accordingly, Shareholders are encouraged to vote as outlined below and to raise questions in advance of the General Meeting, given they will not be able to attend the General Meeting in person.

Shareholders are able to complete and return a form of proxy in accordance with the procedures set out below in order to vote in advance of the General Meeting. Arrangements have also been made to allow Shareholders to submit questions to the Board in advance of the General Meeting via the Company's website (see paragraph 15 of this Part VII). Shareholders are strongly encouraged to appoint the Chairman of the General Meeting as their proxy, which will ensure their votes are cast in accordance with their wishes, even where the Shareholder, or another person they might wish to appoint as proxy, is unable to attend the meeting in person. If a Shareholder appoints a person other than the Chairman of the General Meeting as proxy, that person will not be permitted to attend and vote at the General Meeting under current UK Government guidance and restrictions.

The Company is not distributing a hard copy form of proxy unless specifically requested and Shareholders are encouraged to vote electronically. The methods available to appoint a proxy are set out below:

(a) appointing a proxy electronically via the shareholder portal (https://www.mitie-shares.com). If a Shareholder has not previously registered to use the shareholder portal, they will first be asked to register as a new user, for which that Shareholder will need their investor code (which can be found on their share certificate and dividend confirmation), family name and postcode (if resident in the United Kingdom);

(b) if you are an institutional investor, appointing a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Company's Registrar. Before appointing a proxy through Proxymity, a Shareholder will need to have agreed to Proxymity's associated terms and conditions. It is important that Shareholders read these carefully as they will be bound by them and they will govern the electronic appointment of their proxy. Further information in relation to Proxymity is available at https://www.proximity.io;

(c) requesting a hard copy form of proxy from the Registrar, Link Asset Services, on 0371 664 0300 and returning the completed form of proxy to Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU[1]; or

(d) in the case of CREST members, using the CREST electronic proxy appointment service in accordance with the procedures set out in the Notice of General Meeting set out in Part XVIII of this document,

and, in each case, with instructions to be received by Link Asset Services as soon as possible, but in any event by no later than 11.00 a.m. on 19 November 2020 (or, in the case of an adjournment, not later than two business days before the time fixed for the holding of the adjourned meeting).

Further details relating to voting by proxy are set out in the notes to the Notice of General Meeting in Part XVIII of this document.

---

1 Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

14 COVID-19

The Board is closely monitoring the evolving COVID-19 situation and public health concerns in the United Kingdom and elsewhere. Under the UK Government's current guidance on social distancing and prohibition on public gatherings, the Board has made the decision to hold the General Meeting as a closed meeting. Accordingly, it will not be possible for Shareholders to attend the General Meeting in person. I would like to thank all Shareholders for their co-operation and understanding in these challenging and unprecedented times.

The Board very much regrets that it will be necessary to restrict attendance at the General Meeting, but the health and well-being of employees, Shareholders and the wider community in which the Group operates is of paramount importance to the Board. However, the Board is also committed to ensuring that Shareholders can exercise their right to vote and ask questions in advance of the General Meeting.

The Board strongly encourages Shareholders to appoint the Chairman of the General Meeting as their proxy to vote in advance of the General Meeting, utilising one of the methods details in paragraph 13 of this Part VII above. Shareholders are encouraged to appoint a proxy as early as possible.

We would expect only the Chairman and a very limited number of Directors and employees to be in attendance at the General Meeting to ensure a quorum and to conduct the business of the meeting and social distancing measures will be in place in order to comply with current requirements. Please be aware that, in accordance with current UK Government restrictions, any Shareholder who attempts to attend the General Meeting in person will not be permitted entry.

Given the potential for the COVID-19 guidance and prohibitions in the UK to change rapidly, the Board will keep the situation under review and may need to make further changes to the arrangements relating to the General Meeting, including how it is conducted. Shareholders should continue to monitor the Company's website and announcements for any updates in relation to the General Meeting. Shareholders should also continue to monitor and act in accordance with any guidance and/or directions issued by the UK Government and relevant health authorities and act accordingly.

15 Shareholder Questions

Shareholders may submit questions to the Board in advance of the General Meeting via email at investorrelations@mitie.com.

16 Directors' Intentions

The Directors are fully supportive of the Acquisition. Each of the Directors who holds Shares has undertaken to exercise all voting rights attaching to his or her Shares to vote in favour of the Resolutions at the General Meeting (or any adjournment of the General Meeting).

17 Financial Advice

The Board has received financial advice from Jefferies and Evercore in relation to the Acquisition. In providing such financial advice to the Board, Jefferies and Evercore have relied upon the Board's commercial assessments of the Acquisition.

18 Board Recommendation

The Board believes the Acquisition and the Resolutions are in the best interests of the Company and the Shareholders as a whole and, accordingly, unanimously recommends that the Shareholders vote in favour of the Resolutions, as the Directors each intend to do in respect of their own legal and beneficial holdings, amounting to 9,634,358 Shares (representing approximately 0.8 per cent. of the Company's existing issued share capital as at 29 October 2020, being the latest practicable date prior to the date of this document) (excluding treasury shares).

Yours faithfully

Derek Mapp
Chairman

PART VIII

INFORMATION REGARDING THE ACQUISITION

1 Share Purchase Agreement

1.1 Parties and structure

The Original Share Purchase Agreement was entered into on 25 June 2020 between the Company and How Group (a wholly owned subsidiary of Interserve Group Holdings Limited) for the sale and purchase, on the terms and subject to the conditions of the Original Share Purchase Agreement, of the entire issued share capital of Interserve Facilities Management by the Company.

On 4 November 2020, the Company and How Group entered into the Amendment Agreement, which adjusts elements of the consideration payable in respect of the Acquisition and certain other terms of the Original Share Purchase Agreement.

1.2 Consideration

The consideration, on Completion, for the purchase of the entire issued share capital of Interserve Facilities Management will be as follows:

(a) the Company will issue 248,396,183 ordinary shares of 2.5 pence each in the capital of Mitie to How Group (or, pursuant to the terms of the Share Box Agreement, to the DAC SPV) representing approximately 17.5 per cent.[1] of the share capital of Mitie immediately following such issue (excluding treasury shares and assuming no other Shares are issued by the Company prior to Admission) (the "**Consideration Shares**"); and

(b) the Company will pay How Group £120 million in cash.

The consideration has been determined on the basis that Interserve Facilities Management will be delivered cash-free/debt-free and with an agreed normalised level of working capital. The consideration will be adjusted for any cash or debt (including debt-like balances) and variance to the agreed normalised level of working capital as at the date of Completion, based on a customary completion accounts mechanism and made in cash.

How Group (and its nominees) has agreed that the Consideration Shares will be subject to certain lock up and orderly market restrictions as follows:

- No Consideration Shares may be disposed of in the 90-day period following Completion. During the 90-day period commencing 91 days following Completion, a first single block of Consideration Shares, resulting in net proceeds of up to £25 million, may be disposed of.
- During the 90-day period commencing 181 days following Completion, a second single block of Consideration Shares, resulting in net proceeds of up to £25 million, may be disposed of (the value of each of the first single block and the second single block being subject to adjustment in connection with any release of value under the escrow arrangement). No Consideration Shares may be disposed of in the period commencing immediately after any second single block disposal and ending 360 days following Completion.
- During the 90-day period commencing 361 days following Completion, a third single block of such number of Consideration Shares as is equal to 5 per cent. of the total issued share capital of the Company may be disposed of. No Consideration Shares may be disposed of in the period commencing immediately after any third single block disposal and ending 450 days following Completion. During the 90-day period commencing 451 days following Completion, a fourth single block of such number of Consideration Shares as is equal to 10 per cent. of the total issued share capital of the Company may be disposed of. No Consideration Shares may be disposed of in the period commencing immediately after any fourth single block disposal and ending 540 days following Completion.

The lock-up and orderly market restrictions are subject to certain customary exceptions and do not apply to certain disposals, including: (i) any disposal to which the Company gives prior consent; (ii) an acceptance

1 A certain portion of the Consideration Shares (equal to £40 million in market value, as at the close of business on the date falling two business days prior to Completion) will be issued to the DAC SPV (as opposed to How Group) as Share Box Shares and become subject to the terms of the Share Box Agreement, pursuant to which they could be returned or delivered to the Company. For such time as the Share Box Shares are held by the DAC SPV, the voting rights attaching to those Shares will be exercised by How Group, and How Group will be able to extract amounts in respect of dividends (subject to certain restrictions under the Share Box Agreement).

of a general offer for the Company made under the UK Takeover Code (including an irrevocable to accept); (iii) any disposal pursuant to a scheme of reconstruction under section 110 of the Insolvency Act 1986 in relation to the Company; and (iv) a disposal pursuant to a compromise or arrangement under section 896 of the Companies Act 2006 providing for the acquisition by any person of 50 per cent. or more of the ordinary share capital of the Company. The lock-up and orderly market restrictions do not apply to any Consideration Shares released from the Share Box Arrangement (as described in paragraph 2 of Part III of this document) to the extent such Consideration Shares are to be disposed of to realise sufficient cash proceeds in order to satisfy any indemnity claims determined in favour of the Company (including in a case where a delayed transfer results in a right by How Group to direct such market sale). Additionally, the lock-up restrictions do not apply to any Consideration Shares available to be released early from the Share Box Arrangement to the extent they are disposed of pursuant to the provisions of Share Purchase Agreement to realise sufficient cash proceeds in order to satisfy any fine imposed on any member of the retained Interserve group by the ICO in relation to the cyber incident, provided that any such disposal shall be effected with the intention of ensuring an orderly market in such shares.

1.3 Conditions

Completion of the Acquisition is conditional upon the satisfaction or waiver of, where capable of being waived, the following outstanding conditions:

(a) the approval of the Resolutions by the Shareholders at the General Meeting (the "**Acquisition Condition**");

(b) the receipt of the requisite level of clearance from the Competition and Markets Authority in respect of the Acquisition; and

(c) the amendment of the Interserve Pension Scheme trust deed and rules to allow independent operation of certain sections thereunder and the receipt of Interserve Pension Scheme trustee consent to the Acquisition (or How Group having determined that it does not intend to seek such consent) and a clearance statement issued by the Pensions Regulator in respect of the Acquisition having been obtained (or both of How Group and the Company having determined that they do not intend to seek clearance in respect of the Acquisition) (the "**Pensions Condition**").

A number of the conditions to Completion under the Share Purchase Agreement have, as at the date of this document, been satisfied as follows:

- Approval by the shareholders of the Company of the resolutions relating to the Rights Issue was received at the general meeting of the Company held at 11.00 a.m. on 13 July 2020. The results of the general meeting were published through the RNS on 13 July 2020;
- Admission of the Shares in connection with the Rights Issue occurred at 8.00 a.m. on 29 July 2020. Confirmation of admission of these Shares was made by way of announcement on the RNS at 7.00 a.m. on 29 July 2020;
- Each of the relevant counterparties to the Landmarc joint venture have confirmed in writing that they are supportive of the Acquisition proceeding and do not intend to attempt to exercise any rights that they may have under the shareholder arrangements in respect of the Landmarc joint venture that may arise as a result of the Acquisition; and
- The consent of the lenders under the Revolving Credit Facility to the Acquisition was received on 20 October 2020. Consent of the holders of the US Private Placement Notes under the Note Purchase Agreement was not required as the gross cash proceeds of the Rights Issue were greater than £160 million.

Under the terms of the Amendment Agreement, the Company agreed to waive the conditions in the Original Share Purchase Agreement requiring that no termination event be subsisting relating to Interserve Facilities Management's cyber incident having directly resulted in a material adverse effect on Interserve Facilities Management, in line with the limited impact that the cyber incident is expected to have on Interserve Facilities Management's ongoing operations.

Under the terms of the Share Purchase Agreement, the Company and How Group are required to use all reasonable endeavours respectively to procure that each of the Conditions for which they are responsible are satisfied as soon as practicable and no later than the Long Stop Date (or such later date as the parties may agree).

1.4 Conduct of business prior to Completion

How Group has agreed, subject to customary exceptions, that the business of Interserve Facilities Management will be carried on in the ordinary course and that certain specific actions (being customary in a private acquisition) will not be taken without the prior written consent of the Company, in each case prior to Completion. The Company has agreed that certain limited corporate actions will not be taken without the prior written consent of How Group prior to Completion, including not declaring, making or paying a dividend and not issuing new shares (other than in respect of the Consideration Shares or those issued in connection with the Company's employee share plans).

1.5 Warranties, indemnities and limitations on liability

How Group has given warranties to the Company which are customary for a transaction of this nature, including certain fundamental warranties in respect of its power and authority to enter into and perform the Share Purchase Agreement and title to its shares in Interserve Facilities Management. How Group has also given warranties to the Company relating to Interserve Facilities Management's business, including its tax position, financial information, litigation, material contracts, compliance with laws, employee-related matters, insurance, real estate, intellectual property, data protection and anti-corruption. How Group has also given warranties to the Company in relation to certain information included in this document directly relating to Interserve Facilities Management. How Group's fundamental warranties and business warranties have been given at the date of the Share Purchase Agreement and How Group's fundamental warranties will be repeated and its warranties relating to this document given at Completion.

The Company has given warranties to How Group which are broadly reciprocal to the fundamental and business warranties provided by How Group. The Company's fundamental warranties and business warranties have been given at the date of the Share Purchase Agreement and the Company's fundamental warranties will be repeated at Completion.

The Share Purchase Agreement contains indemnities given by How Group in respect of, amongst other things, Interserve Facilities Management's cyber incident and the reorganisation of Interserve Facilities Management undertaken prior to the Share Purchase Agreement.

Each party has obtained warranty and indemnity insurance in respect of the warranties in the Share Purchase Agreement and indemnities in the tax deed, subject to certain specified limitations agreed with the relevant insurers. Save in the case of fraud, each party's sole recourse in respect of any warranty claim or indemnity in the tax deed shall be under the relevant insurance policy and the total aggregate liability of each of How Group and the Company under the Share Purchase Agreement and the tax deed shall not exceed £1. The time limit for: (i) business warranty claims (other than tax) and claims under the agreement or the indemnities (with certain exceptions) is two years from Completion; and (ii) fundamental warranty claims and tax claims is seven years from Completion.

The total liability of How Group in respect of claims under the Share Purchase Agreement and its indemnities (other than under the tax deed, which are covered by the warranty and indemnity insurance) is £40 million and such amount will be held for the relevant claims period in an escrow, whether in the form of Consideration Shares or cash as credit support. The Share Purchase Agreement also contains other customary limitations and exclusions on liability.

1.6 Transitional services

The parties have agreed to enter into certain transitional services arrangements from completion of the Acquisition. These include:

- a transitional agreement to be entered into between How Group, as supplier, and Interserve Facilities Management, as customer, whereby, following Completion Interserve Facilities Management would receive transitional services from How Group. These will include, in particular, IT operations services and certain other back office support services. The front end terms of the transitional agreement are in agreed form and the parties have been working together over recent months to agree the precise scope and duration of the services to be provided and the charges to be paid for them; and
- a reverse transitional agreement to be entered into between How Group, as customer, and Interserve Facilities Management, as supplier, whereby following Completion How Group would receive from Interserve Facilities Management reverse transitional services and, in particular, IT operations services and related information security services. The front end terms of the reverse transitional agreement are

in agreed form and mirror in all material respects those of the transitional agreement and the parties have been working together over recent months to agree the precise scope and duration of the services to be provided and the charges to be paid for them.

1.7 Termination and break fee

If either (i) the Acquisition Condition or (ii) certain elements of the Pensions Condition are not fulfilled or waived, where capable of waiver, by the Long Stop Date (or such later date as the parties may agree). How Group may postpone the Long Stop Date by up to 30 Business Days or terminate. The Acquisition may be terminated prior to the Long Stop Date by How Group if the Resolutions are not approved at the General Meeting by 18 December 2020.

If How Group terminates the Share Purchase Agreement in circumstances where the General Meeting is not convened and held by the requisite time and date (being 18 December 2020) or the Board has qualified, changed or withdrawn its recommendation for Shareholders to vote in favour of the Resolutions, then the Company has agreed to pay a break fee of £2.5 million or, where lower, an amount equal to 1 per cent. of the market capitalisation of the Company as calculated, in accordance with the Listing Rules, at 5.00 p.m. on the last Business Day prior to the date of the Share Purchase Agreement.

1.8 Costs

The Company and How Group have each agreed to pay the costs and expenses incurred by them in connection with the preparation, negotiation, entry into and completion of the Share Purchase Agreement and any other agreements in respect of the Acquisition.

1.9 Governing law

The Share Purchase Agreement is governed by English law.

2 Share Box Agreement

2.1 Background to and reasons for the Share Box Agreement

Under the Share Purchase Agreement, the Company and How Group are required to enter into discussions to agree an arrangement for a portion of the Consideration Shares (equal to £40 million in market value as at the date falling two business days prior to Completion) to be held in a form of escrow to provide credit support in respect of the How Group's obligations to satisfy any indemnity claims made by the Company in the period from Completion to the second anniversary from the date of Completion (the "**Indemnity Period**"). The parties have agreed the form of the Share Box Agreement and, subject to shareholder approval at a General Meeting, will enter into the Share Box Agreement and implement the arrangements set out below (the "**Share Box Arrangement**").

2.2 Details of the Share Box Agreement

The Company and How Group intend to enter into the Share Box Agreement prior to Completion between the Company, How Group and Project County SPV 1 Designated Activity Company, which is a newly incorporated insolvency remote orphan SPV resident in Ireland, (the "**DAC SPV**").The Share Box Agreement, as described below, regulates how the Share Box Shares are managed as provided for in the Share Purchase Agreement.

Under the terms of the Share Box Agreement, the Share Box Shares will be issued to the DAC SPV by the Company, and the DAC SPV (or its nominee) will hold them as a third party entity for the entirety of the Indemnity Period (or longer in certain circumstances described below), subject to the provisions of the Share Purchase Agreement which contemplates certain circumstances in which up to 50 per cent. of the Share Box Shares may be released from the escrow arrangement before the end of the Indemnity Period. The objective of the arrangements under the Share Box Agreement is to allow for indemnity claims under the Share Purchase Agreement to be settled with Share Box Shares, and thereby provide a level of credit support to the Company.

The Share Box Agreement provides for an option for the Company to elect to settle any indemnity claim by way of a transfer of the relevant amount of Share Box Shares from the DAC SPV to the Company (to the extent that How Group does not settle the claim with the Company in cash within 10 business days of the claim being determined, which is the default option under the Share Box Agreement). This optionality means that the Share Box Agreement constitutes a contingent purchase contract for the purposes of section 694(3) of the Companies Act 2006, which requires shareholder approval as a conditional off-market purchase pursuant to section 694 of the Companies Act 2006. Consequently, the Share Box Agreement is conditional on, and must be approved by, the Company's Shareholders before it is entered into. Your approval of the potential off-market purchase as part of the arrangements under the Share Box Agreement is sought at a General Meeting to be held on 23 November 2020.

If shareholder approval for entry into the Share Box Agreement is granted at the General Meeting, it is intended that the Company, How Group and the DAC SPV will enter into the Share Box Agreement and the arrangements governing the Share Box Shares will proceed as set out below. The number of Shares that may be acquired by the Company pursuant to the Share Box Agreement will be determined by reference to a formula based on the amount of the relevant indemnity claim and the prevailing market price of the Shares. The maximum number of Shares that may be acquired by the Company pursuant to the Share Box Agreement will be all of the Share Box Shares. As at 30 October 2020 (being the latest practicable date prior to the publication of this document), the number of the Shares having a market value of at least £40 million would equate to 141,843,972 Shares, being 12.1 per cent. of the total issued share capital of the Company (excluding treasury shares).

If any Share Box Shares are acquired by the Company pursuant to the Share Box Agreement, the Company may elect at the relevant time either to cancel such Shares or to hold them in treasury.

As at 29 October 2020 (being the latest practicable date for Share information prior to the publication of this document), the Company had a total of 110,169,887 options to subscribe for equity shares outstanding which represent 9.4 per cent. of the issued share capital of the Company (excluding any treasury shares) as at the 29 October 2020 and will represent 8.6 per cent. of the issued share capital of the Company (excluding any treasury shares) if the full authority to acquire the Shares under the Share Box Agreement is used.

2.3 Principal Terms and Conditions of the Share Box Agreement

2.3.1 Share Box Period and Transfer

If in the Indemnity Period an indemnity claim is brought, and verified, under the terms of the Share Purchase Agreement, the Company will have recourse to the Share Box Shares in the manner described below. To the extent an indemnity claim has arisen but has not yet been determined by the end of such period, a portion of the Share Box Shares (based on the Company's reasonable estimate of amounts owing in respect of such outstanding indemnity claim) shall be retained and remain subject to the Share Box Agreement until determination and settlement of that indemnity claim.

After the indemnity claim has been valued and determined, How Group may elect to settle such indemnity claim in cash. If it does not do so within 10 business days, the Company may elect to receive a transfer of Share Box Shares in satisfaction of the relevant claim, and the Share Box Agreement provides for determination of the price the Share Box Shares will be transferred at. The appropriate amount of Share Box Shares to match the value of the claim will, if the relevant option is exercised by the Company, then be transferred to the Company. Alternatively, the Company may instruct the DAC SPV to arrange for a sale of a relevant number of Share Box Shares in the open market, and the transfer to the Company of the proceeds of such market sale in satisfaction of the indemnity claim, How Group may also elect to settle the claim using a combination of cash and Share Box Shares. In either case, if a portion of the Share Box Shares are transferred to the Company, or sold in the open market pursuant to the Share Box Agreement, the number of Consideration Shares actually received by How Group will be reduced accordingly.

2.3.2 Transfer Value Methodology

The method for determining the number of Share Box Shares to be transferred from the DAC SPV to the Company in satisfaction of the relevant indemnity claim is set out in schedule 1 to the Share Box Agreement. The number of shares to be transferred to the Company in the event that the How Group does not elect to settle an indemnity claim in full in cash, shall be calculated with reference to the outstanding amount of the indemnity claim (as agreed or determined, pursuant to the Share Purchase Agreement) divided by the closing share price of the Share Box Shares at the close of business on the trading prior to the day on which the transfer of the Share Box Shares is to take place, plus the number of Share Box Shares attributable to any gross-up amounts for any taxes (excluding SDRT), costs or expenses which would be payable by the Company in respect of the transfer to ensure that the Company receives the full equivalent amount of the relevant indemnity claim.

2.3.3 Funding of the DAC SPV

As contemplated by the terms of the Share Purchase Agreement, the Company and How Group will share the funding obligations for the structure equally. How Group intends to pre-fund the DAC SPV by way of a PPN and the Company in a similar manner. The PPN will be limited-recourse and any advances made by How Group to the DAC SPV will be under the PPN. The payment of principal under the PPN will be fully subordinated to all other amounts payable by the DAC SPV or payable to the Company under the Share Box Agreement.

2.3.4 Bonus Issues

The Share Box Agreement provides that if the Company completes a Bonus Issue and that Bonus Issue has the effect of diluting the existing value of the Share Box Shares, a sufficient number of shares from that Bonus Issue will be retained by the DAC SPV (which shall become Share Box Shares) so as to mitigate against such value diminution in Share Box Shares held in the Share Box Arrangement.

2.3.5 Delayed Transfer

In the situation where it becomes unlawful for the Company to receive a transfer of the Share Box Shares, the Share Box Agreement allows for the Company to issue a Stop Transfer Notification. The effect of the Stop Transfer Notification is to permit a delay of up to 45 business days before any transfer to the Company of the Share Box Shares can take place. If after the delay period has elapsed it is still unlawful for the Company to receive a transfer of the relevant Share Box Shares, How Group will be entitled to direct the DAC SPV to sell the relevant number of Share Box Shares in the open market through appointment of a dealer (which will be a dealer from a pre-agreed list set out in the Share Box Agreement) who will be directed to use reasonable efforts to optimise the value of the Share Box Shares during the sale process. If the proceeds of any such sale exceed the amount due under the relevant indemnity claim, the excess of the proceeds shall be paid into a reserve account held with the DAC SPV. Any such market sale at the direction of the Seller will not be subject to the lock up and orderly market restrictions in the Share Purchase Agreement (described in further detail above).

2.3.6 How Group's Call Option

In exchange for the funding to be provided by the PPN, the DAC SPV will grant the Call Option in favour of How Group to be exercised in specific scenarios. The Call Option will cover all of the assets of the DAC SPV (excluding any retained profit). The scenarios where the Call Option may be exercised are:

(a) where How Group has elected to settle a claim with cash (in whole or in part), the Call Option can be exercised over an amount of Share Box Shares which correspond to that cash amount;

(b) in circumstances set out in the Share Purchase Agreement where 50% of the Share Box Shares may be released before the end of the Share Box Period;

(c) in respect of any bonus shares received by the DAC SPV from a Bonus Issue (as described in paragraph 2.3.4 above) that are in excess of the amount needed to mitigate against a value diminution;

(d) at the end of the Indemnity Period in relation to any Share Box Shares that are not required to satisfy any outstanding indemnity claims; and

(e) once How Group has settled all indemnity claims raised under the Share Purchase Agreement, according to the procedure as set out in the Share Box Agreement.

2.3.7 Lock Up Event

The Share Box Agreement provides for a Lock-Up Event, which looks to certain fundamental positive and negative obligations of the Seller under the Share Box Agreement. If this has occurred and is continuing, then no payment shall be made to How Group by the DAC SPV, under the PPN or otherwise. This will continue until the Lock-Up Event has been cured.

2.4 Termination

The Share Box Agreement details the manner in which the assets of the DAC SPV will be distributed on termination. Specifically, at the end of the Share Box Period, and following (i) payments due by the DAC

SPV for its running costs, (ii) retention by the DAC SPV of EUR500 per annum, and (iii) the settlement of any indemnity claims or certain other costs due from How Group to the Company (as well as any excess contributions made by the Company due to the Sellers failure to make a payment when due under the Share Box Agreement), all remaining amounts held by the DAC SPV shall be applied as follows:

- to pay any amounts due under the PPN; and
- to pay any amounts due under the Call Option.

2.5 Governing Law

The Share Box Agreement shall be governed by English Law.

2.6 Fallback for Cash

It has been agreed between the Company and How Group that to the extent the Share Box Agreement has not been entered into, and all other arrangements necessary to implement the Share Box Arrangement completed, before 23 November 2020, the Company and How Group shall instead enter into discussions to agree the terms of a cash escrow arrangement on equivalent terms to the Share Box Arrangement. In such an event, the Share Box Arrangement will not be progressed further by the parties.

2.7 Documents available for inspection

The Share Box Agreement is available for inspection during normal business hours at the registered office of the Company from 9.00 a.m. on 4 November 2020 until the conclusion of the General Meeting and will also be available for inspection at the General Meeting fifteen minutes before and during the General Meeting itself.

PART IX

INFORMATION ON MITIE GROUP PLC

The selected historical financial information and other historical financial information in relation to Mitie referred to in this Part IX has, unless otherwise stated, been extracted without material adjustment from the 2020 Financial Statements, the 2019 Financial Statements and the 2018 Financial Statements.

Investors should read the whole of this document and the documents incorporated herein by reference and should not rely solely on the financial information set out in this Part IX.

1 Overview

Mitie is one of the United Kingdom's leading facilities management and professional services companies, with approximately 48,500 employees as at 30 September 2020 and sales of £2.2 billion in FY19/20.

Mitie offers a range of facilities management and professional services, including: engineering maintenance and repair services and projects; energy and carbon management; digital transformation services; manned guarding and technology-based security services; cleaning and environmental services; and front-of-house, vetting and document management services. Mitie also provides specialised services specific to a customer, such as immigration detention and escorting and forensic health services, or that address a specific need or value, such as waste management and landscaping services.

Mitie has a large, diverse customer base. In the private sector, Mitie supports a wide range of customers across a variety of industries, including banking and the professional services, retail and leisure, manufacturing, construction, utilities, transport and logistics, healthcare and pharmaceuticals, industrial, and technology and communications. In the public sector, Mitie is recognised as a strategic supplier to central and local governments, providing essential services to the NHS, local authorities, police forces, schools and universities as well as strategic and critical government assets and other critical national infrastructure. In FY19/20, approximately 70 per cent. of Mitie's revenue was from private sector customers and approximately 30 per cent. was from public sector customers.

Mitie operates through three principal business divisions: Technical Services, Business Services and Specialist Services, as set out below:

- **Technical Services**: including management and delivery of engineering, maintenance, repair and project services, energy and carbon management services, and water and real estate services.
- **Business Services**: including personal and technology-led security services, cleaning and environmental services, front-of-house (reception), vetting and document management services, as well as remote monitoring and mobile response for fire and security systems.
- **Specialist Services**: a number of specialised services, including forensic health services, managing certain immigration care and custody services on behalf of the Home Office, as well as waste management and sustainability services and landscaping services.

The majority of Mitie's services are self-delivered and structured either through single or bundled service line arrangements or as part of a wider integrated facilities management solution.

Mitie's approach to facilities management and professional services utilises its expertise, care, technology and insight across a nationwide network to provide its customers with trusted support to their work environments. This differentiated service offering is supported by Mitie's technological capabilities and scale, enabling it to deliver technologically-enabled solutions across services while supporting the customer experience and create cost-to-serve efficiencies. Mitie's technology-enabled capabilities allow it to tailor and integrate services to meet customer needs, which supports winning new customers and deepen its relationships with existing ones. Key technologies include Mitie's analytical workplace solutions, as well as connected-facility capabilities from its MiTec centre in Belfast, Global Security Operations Centre ("**GSOC**") in Northampton and Service Operations Centre ("**SOC**") in Manchester.

In FY19/20, Mitie generated revenue of £2,173.7 million, as compared to £2,085.3 million in FY18/19 (re-presented for discontinued operations) and £1,893.5 million in FY17/18 (re-presented for discontinued operations). In FY19/20, Mitie generated operating profit before other items from continuing operations of £86.1 million, as compared to £79.6 million in FY18/19 (re-presented for discontinued operations) and £74.5 million in FY17/18 (re-presented for discontinued operations).

2 Strengths and Strategy

The Long-Term Vision

As announced at Mitie's capital markets day in December 2019, Mitie's long-term vision is centred around a number of goals, the pinnacle of which is driving and maintaining a market leading position in Mitie's core businesses. In an industry which historically has been highly fragmented, with low barriers to entry and ease of contract switching, and consequent low margins and commoditisation of the offer, Mitie's strategy is to gain economies of scale through market leadership positions, underpinned with an investment-led strategy to differentiate its offer through technology, superior service and a highly motivated workforce.

Underpinning this strategy is a set of beliefs, centred around four tenets:

(i) Mitie works best with its customers when collaborating, and customers will remain loyal if Mitie delivers superior service and valuable insights;

(ii) Mitie's people give their best when the Group shows that it cares;

(iii) Technology is changing Mitie's industry, and it needs to be at the forefront of innovation and the digital transformation of the industry; and

(iv) Continuous improvement and process simplification will drive a sustainable cost advantage.

As part of this strategy, Mitie aims to ensure operational excellence and efficiency, attract and retain highly motivated, well-trained, high performing employees who continue to support and drive Mitie's 90 per cent. client retention rates and embrace technology and innovation across the Group. Where appropriate, Mitie also looks at targeted merger and acquisition opportunities to enhance and differentiate its service offering.

The Strategy Itself Is Underpinned By 4 Key Pillars:

Customers – An unrivalled list of blue-chip customers for whom Mitie is a core strategic partner in the day-to-day operations of their business. A highly diversified and resilient customer base across a wide range of private sector (approximately 70 per cent. of revenue in FY19/20) and public sector (approximately 30 per cent. of revenue in FY19/20) customers, Mitie is not reliant on any one customer and no customer accounts for more than 10 per cent. of sales. Focused on value, innovation, technical competence and experience and with an increasing appetite for long-term relationships, Mitie is suitably positioned to deliver significant customer value. Strategic Account Management leverages the Group's capabilities and customer relationships to enhance Mitie's strategic importance and overall service. In the last three years, Mitie's Net Promoter Score (NPS) – the key customer measure of Mitie's service delivery – has increased by 57 points.

People – The Group is a people-focused enterprise, made up of approximately 48,500 employees as at 30 September 2020. Continuous investment ensures employees are well-trained, appropriately experienced and deliver consistently high levels of customer service, as shown in Mitie's Net Promoter (NPS) score of +30. Core to the long-term aspirations of the Group, Mitie has a strong track record for ensuring the health and safety of employees whilst also maintaining the longevity of the workforce with targeted engagement and programmes, as measured by an employee engagement score that has risen from 25 per cent. to 46 per cent. of all staff "highly engaged". Working closely with customers, Mitie also has a long-term commitment of supporting the employee base through paying the living wage.

Costs – Focused on cost leadership across the peer group, Mitie harnesses optimal processes, technology and focused rationalisation of delivery to underpin operational excellence and higher operating margins, reflecting its market leadership positions. Mitie has a proven track of delivering £45 million of run-rate savings through the successful delivery of Project Helix and is currently progressing on its next phase of transformational operational efficiencies via Project Forte.

Technology – Mitie's business model is underpinned by increasing technological capabilities that enable the Group to effectively manage its workforce and deliver a fully optimised solution to customers. A controlled workflow ensures cost-efficient servicing and deploys the right resources at the right time. As a client offering, technology embeds Mitie's integrated approach into its customers' infrastructure, maximising value for the customer and enhancing retention of the customer base. Technology examples vary from: remote monitoring and predictive maintenance of critical assets from Mitie's SOC in Technical Services; real time intelligence gathering and security monitoring from Mitie's GSOC in the Security division; to deploying the latest nanotechnology sprays to combat Coronaviruses in the Cleaning division – all backed by increasing process automation risk analytics and provision of real-time management information.

Pathway to Delivering the Group Strategy

From 2017, Mitie set about re-focussing the business through a medium-term plan split in two phases. The now delivered "Build Foundations" first phase has provided the business with the base to deliver the second phase, "Accelerated Value Creation".

Build Foundations

This initial phase was focused on reversing revenue declines, simplifying the portfolio through non-core disposals and increasing balance sheet strength. Through Project Helix, Mitie has delivered approximately £45 million of run-rate savings across personnel, improved information services, systems and finance functions, consolidating supplier spend and reduced reliance on contractors. Investment through this period delivered organic revenue growth at a compound annual growth rate of approximately 6 per cent. from FY16/17 to FY19/20, while cost-related work streams and strategic disposals have reduced Mitie's total indebtedness by approximately £100 million. Specifically, Mitie generated gross proceeds in excess of £130 million from disposals and made the strategic acquisition of Vision Security Group and Global Aware, complementary capabilities for Mitie's Business Services division.

Accelerated Value Creation

The second phase is focused, over the medium term, on leveraging the gains made during the first phase through three core principles: growth, costs and free cash flow.

Growth initiatives are supported by Mitie's continued market leadership in core Technical Services and Business Services, further enhancements in customer-facing technology to improve service capabilities, and deepening relationships with strategic customers. Harnessing Mitie's breadth of core capabilities, increasingly optimised Strategic Account Management is expected to drive improved monetisation of the high-quality customer base.

Cost targets aim to utilise Mitie's improved technologically-enabled capabilities for workforce and workflow management and process automation for transaction and service booking, supporting improvement in cost-to-serve across a scalable and differentiated technology offer. This is being effected through Project Forte, a transformational programme targeting overall delivery of approximately £25 million of cost savings within Technical Services and approximately £5 million of savings from Group-wide automation. Mitie has delayed certain aspects of Project Forte by six months, and continues supply chain management initiatives that are already underway, with an aim to realise overall benefits in FY22/23.

Mitie aims to drive free cash flow through these continued strategic initiatives, realising the benefits of costly transformation activities undertaken in recent years and targeting accelerated deleveraging.

3 History

Mitie was founded in 1987 and listed on the London Stock Exchange in 1988. Mitie expanded significantly in its first 20 years, including as a result of its merger with Highgate & Job Group plc in 1989 and primarily through the implementation of the "Mitie Model". Under this model, Mitie would typically acquire (or incorporate) businesses with a focus on specific service lines, typically taking a 51 per cent. ownership share with the remaining 49 per cent. allocated to management shareholders. This model was structured to give Mitie a right to acquire minority interests at a price determined by reference to the performance of the individual business. All remaining minority interests were acquired by Mitie in 2017, and all subsidiary entities are now wholly owned directly or indirectly by Mitie.

Changes in senior management, including the appointment of Phil Bentley as CEO in December 2016, and a proactive approach to examining the business, including an external forensic accounting review instigated by the new executive leadership team have supported key transformation steps in recent years. In FY16/17, Mitie commenced a transformation programme with the aim of simplifying its operating structure, standardising internal processes, rationalising systems and removing inefficiencies in management structures. This programme has included simplification of Mitie's business unit structure from seven business units to three in order to better leverage back office synergies and strengthen its service offering to customers. This programme has delivered approximately £45 million of run-rate cost savings by 31 March 2020, with a continued focus on strengthening and stabilising Mitie's operating capabilities and practices.

In FY19/20, Mitie adopted the business division organisation set out in the "Overview" above. During FY18/19 and FY17/18, Mitie operated and reported its financial results according to six business divisions: Engineering Services, Security, Professional Services, Cleaning & Environmental, Care & Custody and Catering (which was sold to CH&Co Catering Group Limited during FY18/19 for a purchase price of up to £85 million, including post-closing performance payments in FY20/21 and FY22/23), and historical operations during FY17/18 also included Property Management and, as discontinued operations, Healthcare. Mitie's re-alignment of its operating and financial reporting divisional structure is intended to support Mitie's ongoing transformation and operational simplification initiatives. In particular:

- engineering maintenance and projects related to the physical upkeep of buildings, as well as "smart building" management services, including occupier services and water and energy management, were consolidated in Technical Services;
- Security and Cleaning & Environmental divisions were consolidated as Business Services, which provide workplace services related to the upkeep and security of buildings, as well as office services; and
- Care & Custody, along with waste management and landscapes services, were consolidated into the Specialist Services division.

4 Principal Services and Operating Sectors

Mitie provides its customers with a range of facilities management and professional services, including: engineering maintenance and repair services and projects; energy and carbon management; digital transformation services; manned guarding and technology-based security services; cleaning and environmental services; and front-of-house, vetting and document management services. Mitie also provides specialised services specific to a customer, such as immigration detention and escorting and forensic health services, or that address a specific need or value, such as waste management and landscaping services. Mitie operates through three principal business divisions: Technical Services, Business Services and Specialist Services.

The following table sets out Mitie's revenue and operating profit before other items for each business division for FY19/20 and FY18/19:

	FY19/20		FY18/19	
	Revenue	**Operating profit before other items**	**Revenue**	**Operating profit before other items**
		(£ millions)		
Technical Services	947.2	55.9	974.2	56.9
Business Services	986.9	42.2	894.0	39.0
Specialist Services	239.6	25.3	217.1	20.4
Care & Custody	110.2	7.7	107.3	3.9
Landscapes	47.8	8.6	46.7	9.3
Waste	81.6	9.0	63.1	7.2
Corporate centre	—	(37.3)	—	(36.7)
Total from continuing operations	**2,173.7**	**86.1**	**2,085.3**	**79.6**

Note:

(1) As reported in the 2020 Annual Report and Accounts to reflect Mitie's business division structure for FY19/20. See "History" above for a description of Mitie's divisional structure re-alignment effective from 1 January 2020 (and effective 1 April 2019, for purposes of the 2020 Financial Statements).

Mitie's operations are primarily focused on serving customers located in the United Kingdom and the Republic of Ireland. Mitie also operates in Norway, Sweden, Poland and Finland, where it offers cleaning, catering, reception, janitorial, landscaping, office maintenance and general office management services, which comprised under 1 per cent. of revenue and gross profit in FY19/20.

Integrated facilities management

While Mitie organises its business into these three segments, as discussed in further detail below, it also provides an overarching facilities management and professional services offering that operates across its full suite of services. This integrated facilities management ("**IFM**") service provides customers with an all-in-one solution, with a comprehensive service offering at a single site or, in most cases, across a network of locations. These bespoke arrangements are designed to meet the customer's requirements, based on its industry, business and operations. Mitie's integrated facilities management approach is underpinned by four pillars:

- **Strategic account management**: utilising single point-of-control and accountability within Mitie enables services that match customers' evolving needs through a tailored, cost-effective and flexible service offering.
- **Technology**: proprietary digital platform and enterprise-wide data-analytic capabilities allow Mitie to evaluate the performance of the customer's portfolio and enable proactive decisions to unlock value, ensure more up-time and deliver greater efficiency.
- **One team**: establishing and fostering a shared vision and culture across services to provide leading service to each customer. Applying this approach at contract level encourages flexibility, reliability and cost-effectiveness, allowing Mitie to deliver complex and integrated service ranges for single-site and portfolio customers.
- **Partnership**: developing partnerships are essential to driving the culture of service transparency and collaboration at the heart of Mitie's integrated facilities proposition, allowing for innovation and evolution to meet customers' facilities management needs.

Mitie's integrated IFM offering aims to leverage its scale and strength across service categories while utilising its technology solutions, as described in paragraph 6 "*Technology*" below. This technology-driven approach enables Mitie to tailor and, where appropriate, expand the customer's offering to meet its unique requirements. By combining these capabilities in a single solution, Mitie can provide its largest customers with a connected, insight-driven and proactive facilities management service.

Technical Services

Mitie's Technical Services business division provides public and private sector customers with a broad range of crucial project and repair and maintenance services that keep their organisations running. The Technical Services business division incorporates a range of key engineering, maintenance, repair and project services, energy and carbon management services and water and real estate services.

Mitie's Technical Services business division provides these services to public and private sector customers, such as Lloyds Banking Group, Essex County Council and Co-op, and recent customer wins include BMW, Toyota and GlaxoSmithKline. Public sector customers include the NHS, including work on the NHS Nightingale hospitals, and local ambulance and other services.

Mitie's Technical Services offerings have historically comprised its largest business, in particular engineering services. In FY19/20, Mitie derived 44 per cent. of its revenue from the Technical Services business division.

Engineering maintenance and repair

Mitie has extensive knowledge and experience maintaining and repairing buildings and assets in various industries. Maintenance areas include facilities mechanical systems, electrical and lighting systems and building fabric, such as repair, decoration and painting works. Across these areas, Mitie offers a flexible and proactive suite of services, which include mobile and site-based maintenance, mechanical and electrical maintenance and repair, and remote monitoring.

Mitie aims to provide customers with a "total" maintenance solution. This approach focuses on eliminating downtime and disruption for customers by applying a proactive (rather than reactive) approach to maintenance of disruption-free working environments. Mitie's maintenance services utilise technologically-advanced data-driven capabilities, in-house expertise and Mitie's national presence to deliver a comprehensive range of services tailored to customer needs, with a focus on up-time, energy efficiency, carbon impact and whole-life cost of the relevant asset or facility. These services consider the impact of specific maintenance cycles on the efficiency of equipment and the environment, including through targeted asset planning to ensure that up-time is maintained and asset life-expectancy extended to reduce on-going life-cycle costs. Automated monitoring capabilities support data-driven predictive maintenance regimes and accurate tracking of asset performance to provide early warning of any future issues that require attention.

Engineering projects

Mitie's engineering project capabilities deliver end-to-end services across a comprehensive range of refit works. These services include design and planning of building projects and systems, as well as highly skilled contracting works. An experienced principal contractor, Mitie manages project-based services across the commercial, retail, industrial, social, education, housing, leisure and domestic property sectors.

- **Project design services**: tailored design solutions, detailed survey work and full co-ordination at the design phase (including 3D and building information modelling (BIM)). These capabilities include low-carbon designs, production of building log books, energy audits and energy monitoring and asset register production. Mitie is accredited by the Chartered Institute of Building Services Engineers (CIBSE) for low-carbon consultancy capabilities.
- **Mechanical and electrical services**: turnkey electrical solutions, from initial feasibility studies and planning to construction and completion. These services aim to make buildings more efficient, sustainable and cost-effective, utilising in-house BIM-compliant design capabilities and a qualified direct labour force. Mitie is accredited for a number of public sector frameworks by private sector frameworks by leading companies.
- **Lighting**: innovative lighting technologies and solutions, including lighting control and systems, colour rendering, energy efficiency, cost reduction, detailed reporting, emergency lighting design and installation and warranty management. Mitie's lighting service has attained numerous accreditations, including SafeContractor approval, the British Safety Council, and is a National Inspection Council Electrical Installation Contracting approved contractor.
- **Fire protection**: passive fire protection contract services, including design, installation and maintenance of fire prevention systems, structural fire protection, fire-rated compartmentation, acoustic and fire sealing, fire-rated ducting, specialist thermal insulation and hydrocarbon fire protection. Mitie has received FIRAS certification for certain installations and is a member of the Association for Specialist Fire Protection.
- **Air conditioning and renewable energy**: installation, service and maintenance, including air conditioning, free cooling and refrigeration, as well as capabilities across renewables technologies, including wind turbines, heat pumps and photovoltaic panels. Mitie is accredited by the Ofgem Microgeneration Certification Scheme (MCS).
- **Roofing**: full-service commercial roofing offering, from initial survey and consultation to completion, including sheeting and cladding, asbestos cement removal, built-up felt systems, liquid-applied coatings, single-ply membranes, flat-to-pitched conversions, green roofing, slating and tiling, roof light renewal and guttering and rainwater systems. Mitie is accredited by the National Federation of Roofing Contractors (NFRC) and SafeContractor approved.
- **Painting and building fabric repair**: planning, organising and managing commercial painting and building fabric repair works, utilising a national skilled workforce and local branches to provide a range of services, including cyclical and planned programmes, internal and external painting, joinery works, fire protective coating, wallpapering and covering, ceiling coatings, as well as interior fit-out, structural works, window and door repairs, environmental improvements and disabled adaptations. Mitie has Constructionline platinum status and is a member of the Painting & Decorating Association, among other accreditations and certifications.

Energy services

Mitie offers targeted and end-to-end energy services, from standalone capabilities to fully outsourced energy management solutions, with an aim of helping customers reduce energy consumption and carbon impact. These services are undertaken utilising a four-part framework, which focuses on: (i) advising customers on their buying and procurement practices, while aligning the customer's energy needs to its business and risk profile; (ii) developing strategic utility reduction plans, smart metering, and identifying opportunities to lower consumption; (iii) helping customers comply with environmental legislation and support employee environmental wellbeing; and (iv) optimising estate energy performance to reduce customers' carbon footprint through full-service and optimised building assessments and plans.

Mitie's energy services capabilities are supported by a team of experts, including chartered energy managers, engineers and analysts. Across these services during FY19/20 Mitie monitored approximately 92,000 energy meters.

Total building review

Mitie's total building review brings together its facilities management capabilities into one proposition. This service combines Mitie's expertise to provide support across multiple customer needs, including consideration of physical assets and condition, as well as their impact on the customer's people and activities. By examining each of these factors collectively, and utilising expertise and experience across Mitie's national network, specialist skillsets and data-driven analytics, a holistic plan can be developed to support customer needs.

Business Services

Mitie's Business Services business division provides personnel security services, as well as remote monitoring and mobile response for fire and security systems. Mitie's Business Services offering is a UK leader for front-of-house (reception) services and document management services, and it is one of the largest specialist cleaning providers in the United Kingdom.

Mitie's Business Services business division provides these services to public and private sector customers, including the UK's biggest companies and most iconic buildings, such as NHS Trusts, the Home Office, the Bank of England, Lloyds Banking Group, GlaxoSmithKline, Sainsbury's and Co-op.

In FY19/20, Mitie derived 45 per cent. of its revenue from its Business Services' business division.

Security services

Mitie is one of the largest intelligence-led securities companies in the United Kingdom, offering integrated, risk-based security solutions to fit customer needs. Across this offering, Mitie provides customers with a suite of security services that combine in-house expertise with technologically advanced solutions and data-driven capabilities. These services comprise a range of offerings that can be tailored to each customer's needs to create safe and secure environments. Mitie's security service offering utilised approximately 16,500 personnel and maintained approximately 51,000 security systems during FY19/20.

- **Security personnel**: in-person guarding services, utilising Mitie's fully licensed and highly trained personnel to strategically deploy guarding solutions according to customer needs.
- **Mobile security**: a range of mobile capabilities, including key-holding and rapid-response services, security patrols, vacant property security and inspection, alarm response services and wireless security systems to reduce unnecessary and costly false-alarm call-outs.
- **Fire and security systems**: integrated solutions to monitor lone workers and CCTV and alarm connections, including field-based engineers and remote management, solution design, risk assessments, and installation and integration.
- **Lone worker protection**: supporting safe-working environments, including through proactive monitoring and protection (including heartbeat monitors, push-for-help notification tools and guaranteed police-response capabilities) as well as risk assessments.

Mitie also provides a number of safety and compliance consultancy services across single-site and portfolio customers. Mitie's safety and compliance consultancy offering includes expertise in fire and security services, water and air quality services, doors and access services, electrical testing and property audit services. Additional safety and compliance consultancy services include identification of risk areas and provision of comprehensive assessment reports; safeguarding service evaluations, testing, maintenance and remedial services to adhere to required standards and legislation; and information and certification to help customers comply with their internal and commercial requirements.

Cleaning services

Mitie offers specialist cleaning and environmental services tailored to meet the exacting standards of a wide range of industries, including public sector and private sector customers at single-site locations and across national portfolios. These services include a variety of advanced and sector-specific capabilities, including the automotive and industrial sector (and expertise in commercial and manufacturing ISO requirements), corporate and professional services, food and hygiene (with experience in hygiene standards, hazard analysis and critical control, and other regulatory requirements), pharmaceutical and clean room environments, public sector and education, retail and leisure, and transport and logistics.

Mitie's cleaning services offering focuses on quality, efficiency and sustainable delivery models, which utilise technologically-enabled specialist teams and know-how. In FY19/20, Mitie delivered approximately 18 million hours of cleaning services across its teams of approximately 18,000 cleaning personnel across the United Kingdom.

Office services

Mitie's office services offering includes a range of activities to help customers keep their offices and businesses running, including, front-of-house (reception), document management services and personnel vetting services.

- **Vetting**: background and pre-employment verification (passport, right to work, driving license and education) screening and criminality checks, through Procius and UKCRBs. Mitie processed approximately 70,000 references and 120,000 Disclosure and Barring Service (DBS) checks during FY19/20, and is the largest UK aviation screening provider.
- **Front-of-house**: tailored services to provide reception and concierge personnel, telephony and off-site switchboard personnel and capabilities, meeting space optimisation and management, and support for audio-visual meeting room capabilities.
- **Document management**: innovative document and information management services, including digital information management, traditional document management and on-site (mailroom, print room) solutions, and advisory services on digital/physical data environment set-up.

Specialist Services

Mitie's Specialist Services business division provides a number of specialised services, including: care and custody of individuals; landscaping services; and waste management and sustainability services. These services are provided to a wide variety of public and private sector customers, including key UK Government contracts for Care & Custody services in immigration facilities, and leading companies for waste management and landscape services.

In FY19/20, Mitie derived 11 per cent. of its revenue from its Specialist Services business division.

Care & Custody services

Mitie's Care & Custody business provides a range of critical public services to vulnerable adults in the immigration, justice and care sectors. Mitie is a key provider of immigration removal centre management and operations and secure escorting services (in-country and overseas) for the Home Office, caring for over 13,000 detainees. Mitie also delivers prison facilities management services for the Ministry of Justice and secure health services to over 40 police custody suites across England and Wales.

- **Immigration services**: specialist support in the delivery of immigration custodial services. A strategic partner to the Home Office, Mitie supports them in their work to effectively manage the immigration detention estate and flows of detainees in and out of the country, whilst upholding the welfare of those in its care. These services include providing secure escorting services throughout the United Kingdom and overseas, which involves securely escorting detainees around the immigration estate and back to their home countries of origin on scheduled and charter flights. Mitie also works closely with Border Force to provide services to manage holding rooms and short-term holding facilities at multiple air/sea ports and reporting centres throughout the United Kingdom.
- **Forensic health services**: delivery of critical medical support services to police forces across England and Wales, including to persons in custody and at sexual assault referral centres, as well as a limited range of custodial detention services on behalf of police services. Mitie's healthcare services are provided to 12 police services, including via two integrated forensic medical and liaison & diversion contracts, as well as delivering adult and youth comprehensive services across key points of intervention in the criminal justice system. Through these services, Mitie helps police forces address a wide range of health issues and vulnerabilities, which assist in their aim to reduce reoffending. These services implement a nurse-led model, which aims to provide customers with value and supporting outcomes and call-out times, while improving career pathways for skilled Mitie employees.

Waste consulting and management services

Mitie's waste consulting and management business is a UK market leader, providing innovative waste reduction and treatment solutions. Mitie's waste consulting services are supported by significant experience in delivery, best practice approaches to waste management and commercial recycling services. These activities utilise a "resource not waste" philosophy that prioritises waste avoidance and minimisation through a sustainability-led "prevent, reduce, reuse and recycle" approach, including for mixed recycling and food, confidential, paper and cardboard, clinical, hazardous, and electrical waste.

Mitie provides services, including analysis of the customer's waste usage, planning for waste prevention and reduction techniques, exploring ways to re-use material internally and find cost-effective, ethical and environmentally conscious disposal routes and recycling strategies where available. Mitie also co-ordinates energy recovery options, including anaerobic digestion and incineration, as well as landfill solutions for customer waste management. In addition, Mitie provides a variety of specialised hazardous waste disposal services, including clinical waste disposal services to the NHS.

Across these services, Mitie's customers experienced an average 10 per cent. reduction in waste management costs in FY19/20, and these services resulted in over 90,000 tonnes of waste being directed from landfill to other disposal methods during that time.

Landscape services

Mitie offers horticultural and landscaping services, which provides customers with the specific services they need at their facilities and operating locations. These services include winter services, to treat walkways and roads and provide gritting and snow clearance; a flexible grounds maintenance service, which allows customers to choose the level of service required; hard and soft landscaping, including guidance on new developments and growth, paths, water features and site clearances; interior plants; interior office plants; and a Christmas decoration service. Across these services, Mitie sustained approximately 7,000 sites in the United Kingdom during FY19/20.

5 Customer Relationships and Order Book

Customer Relationships

Mitie has a large and diversified blue chip customer base. In FY19/20, Mitie's largest 20 customers accounted for approximately 47 per cent. of its consolidated revenue, with the majority of individual contracts each contributing less than one per cent. of Mitie's revenue. Approximately 70 per cent. of Mitie's revenue was derived from contracts with private sector customers, and the remaining 30 per cent. was derived from contracts with local authorities, central government and other public sector bodies and agencies.

Mitie's approach to customer engagement focuses on the ongoing management of customer relationships, including the UK Government (in its role as a customer and regulator), by senior leadership and on the customer experience through Net Promoter Score and other engagement programmes. Mitie's customer engagement also includes participation in industry forums and events, maintaining regular customer communications, including across its website and social media platforms, in addition to more tailored meetings and briefings. These initiatives aim to drive customer satisfaction, as well as performance and efficiency, utilising technology, research and innovation to support Mitie's reputation and brand. Sustainable performance, governance and transparency are at the heart of these efforts, implementing Mitie's vision and values and living out key social values through a focus on people and culture.

Order Book

As at 31 March 2020, Mitie's order book had a total aggregate value of £4.3 billion, excluding variable work, of which £1.3 billion was short term (expected to be recognised within one year) and £3.0 billion was long term (expected to be recognised beyond one year). As at 31 March 2020, Mitie estimated total pipeline opportunities of £7.9 billion.

The following table sets out Mitie's order book by business division as at 31 March 2020:

	As at 31 March 2020
	(£ millions)
Technical Services	1,914.2
Business Services	1,834.7
Specialist Services	545.5
Total	**4,294.4**

Major contract developments during FY19/20 included retaining key client business with Lloyds Banking Group, Essex County Council and Co-op; entry into the pharmaceutical sector with GlaxoSmithKline; and significant new business with BMW, Primark and Starbucks. In FY19/20, Mitie was appointed to the Crown Commercial Services Framework for Defence and Security and the Prison Operator Services framework, in addition to existing appointments to the FM framework and Management Consultancy frameworks. Of Mitie's top 20 contracts for FY19/20, one contract was not renewed and one contract had a significant scope reduction resulting in an aggregate annual revenue reduction of approximately £85 million. In FY20/21, nine of these contracts have been due for renewal. Of these nine contracts, Mitie has successfully extended the term of eight such contracts by between 11 and 17 months with the remaining contract subject to ongoing extension discussions.

Mitie experiences turnover in its customer base in the ordinary course of its business, based on, among other things, customers' decisions whether or not to retender for existing services or to hire Mitie for new projects. On average, approximately 20 per cent. of Mitie's contracts are up for renewal in a given year. Mitie's contract retention rate in FY19/20 was 90 per cent.

Contractual Arrangements

Mitie's customer contracts are typically structured as three- to five-year agreements (except in the case of project agreements, which are tied to the projected time to deliver the project). These agreements outline the scope of facilities management and professional services that Mitie will provide, across one or more of its business divisions, as well as service levels for a range of performance metrics and reporting requirements. Mitie also undertakes a variety of discretionary project works and variable services, such as non-essential maintenance, either pursuant to additional service provisions in the relevant agreement or through separate arrangements.

Customer contracts in most cases do not include minimum volume requirements for services required. Fee tables and pricing terms, including performance-related measures for services and provisions regarding covered costs, are set out in the relevant agreement. Customer agreements typically include provisions for cost adjustments for statutory wage changes. Certain contracts also include cost saving targets or gainshare mechanisms. See Part II "*Risk Factors Each of Mitie and Interserve Facilities Management is (and, with effect from Completion, the Enlarged Group will be) subject to risks associated with bidding for and entering into multi-year and/or fixed-price contracts*".

6 Technology

Mitie's service offering is underpinned by its technological capabilities. These include its technology-enabled service offerings, which combine various analytical resources, proprietary technologies and third-party systems to provide customers with technologically-enabled integrated facilities management and professional service solutions, and its internal technology infrastructure and systems to drive cost-effective service delivery.

Technology Focused Facilities Management Solutions

Mitie utilises technology to simplify and enhance the facilities management and professional services it provides to customers. These capabilities aim to support integrated services that support customers' specific needs, while automating and simplifying service and co-ordination processes.

Mitie's technology focused solutions provide customers with advanced services that utilise data-driven insights to enable predictive facilities management. These advanced solutions utilise an open source platform to integrate multiple systems and data sources, perform advanced data analytics and deliver solutions through easy-to-use customer interfaces, with uses from monitoring customers' facilities to enhancing the wellbeing of their employees. Mitie's sophisticated SOC provides remote monitoring of buildings and facilities and uses advanced algorithms to detect anomalies and trigger corrective actions prior to an asset failing. This solution also enables Mitie to reduce energy consumption for buildings, plant and equipment.

Other technology applications include Mitie's MiTec communications and technology centre, for remote alarm monitoring, CCTV, intruder, fire, access control and lone worker monitoring and dedicated client help desk and call-out capabilities. Mitie also operates its GSOC as a centre for intelligence and security industry experts to capture, translate, geolocate and alert to any major global incidents.

Mitie Technology Infrastructure and Systems

In recent years, Mitie has undertaken initiatives to simplify and upgrade its internal IT systems, including standardising systems on a smaller set of technologies and platforms and migrating a range of services to strategic outsourcing partner Wipro. These efforts have sought to support cost-efficiencies across Mitie's operating activities and to ensure cutting-edge technology security and controls are utilised across its operations.

As part of these transformation initiatives, core Mitie systems have been moved to cloud-based hosting solutions, including for SAP ERP, finance data warehouse systems and Hyperion systems, or developed based on cloud capabilities, such as its Data Lake, Mozaic and customer-facing dashboard solutions.

These capabilities support key customer-facing technologies, including a variety of AI-supported self-service, chatbot and dashboard features to assist customers with service monitoring, queries and requests. By utilising widely used third-party and open source solutions, Mitie's technology infrastructure supports straightforward and cost-effective integration with customer systems.

Mitie's technology-enabled service offering and internal processes are supported by a variety of leading third-party software and systems. Third-party technology partners include IBM, Vodafone and Microsoft. These services are typically utilised under standard commercial licencing arrangements.

7 Employees

Mitie employed approximately 48,500 staff as at 30 September 2020. Mitie also employed approximately 150 staff outside the United Kingdom and Republic of Ireland, who were primarily located in Norway, Sweden, Poland and France.

Mitie's success is underpinned by the ways that it leads and engages with its people. Employee engagement is based on Mitie's HR core standards, which set the framework for employee engagement, including on-boarding and induction training and Mitie's Learning Hub, annual employee engagement surveys, internal communications, townhall and roadshow meetings, and social media platforms. Excellence is rewarded through Mitie's Celebration Hub, as well as recognition and reward programmes. A wide range of people-focused initiatives have supported employee engagement in recent years, including the "You Said, We Did", which saw the implementation of 30 new initiatives driven by employee feedback and efforts to amplify employee voices and gather feedback, including company-wide webcasts and opportunities to put questions to the CEO and Executive Leadership Team.

During FY19/20, on average, the Technical Services business division had approximately 9,266 employees, the Business Services division had approximately 35,211 employees, the Specialist Services division had approximately 2,995 employees and Mitie's central services function had approximately 95 employees, as set out in Note 7 to the 2020 Financial Statements. During FY19/20, the number of average employees in continuing operations increased by 465 as compared to FY18/19.

A significant number of Mitie's employees joined following an acquisition or through an outsourcing arrangement for specific contracts. During FY19/20, approximately 15,600 employees were onboarded and approximately 21,000 employees were offboarded, either in the ordinary course as a result of customer or contract turnover or acquisitions and disposals. The vast majority of Mitie's employees are located in the United Kingdom and the Republic of Ireland.

The skills that these employees bring with them are critical to the success of Mitie's operations, ensuring that it delivers excellence in service and positive outcomes for clients, and it seeks to continually develop these skills through a variety of learning and leadership initiatives.

Approximately 13,800 of Mitie's employees are covered by a trade union recognition agreement. Mitie has a number of recognition agreements in place, including with the National Union of Rail, Maritime and Transport Workers (RMT), Unite the Union, the General Trade Union (GMB), the Public and Commercial Services Union (PCS), Usdaw, and Unison (healthcare) across its contract portfolio. In addition, a number of Mitie employees are members of other unrecognised unions, which are predominantly active in and around London.

Mitie maintains active dialogue with all of its recognised unions. This engagement informs the way that Mitie prices contracts and ultimately delivers services. Mitie maintains union representatives within its teams who work closely with account directors and on-site HR personnel to manage and mitigate any potential issues, providing Mitie staff with requisite support within their roles.

8 Intellectual Property

Mitie has registered trademarks relating to activities and intellectual property that are strategically important to the business, whether current or anticipated. These include Mitie's core trademarks, including the Mitie brand name and logo, as well as the brand and trading names of certain Mitie service offerings, including MiTec (technical security monitoring solution), Aria (a mobile facilities management and workplace application) and Mozaic (workplace environmental analytical software). The registration and administration of Mitie's trademark portfolio is managed by Mitie's legal team, in conjunction with its marketing team, with the assistance of external counsel.

9 Material Properties

As at 31 March 2020, Mitie leased or licenced approximately 80 properties in the United Kingdom and Republic of Ireland in its operations. Key locations include Mitie's head office at the Shard in London, its shared service centre at the Chocolate Factory, Bristol, its IT hub in Belfast, as well as its GSOC in Northampton and SOC in Manchester.

Mitie owns no freehold properties and instead leases the majority of its properties for varying periods and on differing terms. None of these leases is considered to be material to Mitie.

10 Insurance

Mitie maintains insurance to cover risks associated with the ordinary operation of its business, including professional liability, directors' and officers' liability, public and products liability, property damage/business interruption, employer's liability/workers' compensation and other general insurances. Mitie periodically, and as part of the annual renewal process, conducts reviews to ensure that its insurance coverage satisfies the perceived risks associated with its operations subject to its risk appetite and the availability of insurance coverage for such risks.

11 Legal Proceedings and Investigations

Mitie has and may in the future become involved in, from time to time, claims and lawsuits arising in the ordinary course of its business. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Mitie is aware) during the 12 months preceding the date of this document, which may have, or have had in the recent past significant effects on Mitie's financial position or profitability.

Please refer to paragraph 16 of Part XV of this document.

12 Risk Management

The Board is responsible for the management of the risks that Mitie faces. Mitie's risk management framework and associated risk appetite (the degree of risk that Mitie is prepared to accept in the pursuit of its objectives) are reviewed annually by the Board, but significant risks can be introduced at any time.

Mitie's risk management structure is designed to ensure a consistent approach to the identification, assessment, monitoring and management of risks across the business. This framework comprises top-down strategic risk management, which includes review by the Board and Audit Committee of the external environment, robust assessment of principal risks, setting risk appetite and parameters and action points; identification by the executive leadership team of principal risks, as well as directing delivery of strategic actions in line with the risk appetite and monitoring key risk indicators; and, at the divisional level, executing strategic actions and reporting on key risk indicators.

Mitie also employs a bottom-up approach, founded on reporting of current and emerging risks by the divisional level, and identifying, evaluating and mitigating operational risks recorded in the risk register; work by the executive leadership team to consider the completeness of identified risks and adequacy of mitigating actions, as well as aggregation of risk exposure across the business; and assessment by the Board and Audit Committee of the effectiveness of the risk management system and reporting on principal risks and uncertainties.

13 Regulatory Overview

Mitie's clients include central government, local authorities and departments and other public sector bodies that provide public services or operate in publicly regulated business environments. Mitie may be subject to and seeks to comply with local, national or international regulations and regulations related to providing services in the sectors in which it operates. In particular, Mitie is subject to public procurement rules and regulations that must be complied with in order to contract with public sector entities. There are currently no material breaches of applicable regulations.

Mitie also requires numerous licences, permits and other consents granted by various regulatory and other public bodies in connection with its operations, which may require periodic renewal. There are currently no material breaches of applicable licences, permissions and other consents.

Employee Health and Safety

Mitie must comply with applicable laws to protect employees against occupational injuries. Health and safety law in the UK is primarily based on the Health and Safety at Work etc Act 1974 under which all employers and employees owe duties to ensure the health, safety and welfare of persons at work. The Health and Safety Executive, with local authorities (and other enforcing authorities) is responsible for enforcing the Health and Safety at Work etc Act and a number of other acts and statutory instruments relevant to the working environment.

Under such laws, employers typically must establish and maintain working conditions and workplaces that effectively prevent danger to employees. In particular, employers must comply with certain medical and hygiene standards and meet certain health and safety requirements at work, such as carrying out risk assessments and deriving measures for the safety of employees. This is based, for example, on regulations for permissible maximum values for noise at the workplace, for the use of personal protective equipment and requirements for ambient temperature, ventilation and lighting, as well as working time and work break regulations.

Data Protection (GDPR)

The European Union General Data Protection Regulation (EU) 2016/679 ("**GDPR**") came into force across the European Union on 25 May 2018. The GDPR regulates the processing of the personal data of living individuals ("**data subjects**") by, among others: (i) companies that collect or receive personal data and control the use of that data ("**data controllers**"); and (ii) companies that process personal data on behalf of data controllers ("**data processors**"). Mitie is a data controller and required to comply with GDPR.

According to the GDPR, personal data includes any information relating to data subjects who can be identified from that information. It can therefore include: personal details such as name, address, email address, telephone number and date of birth; and information relating to the individual, whether in their personal, family or professional life. The processing of personal data covers any activity done to or in relation to the personal data.

Compared to the pre-existing Data Protection Directive (95/46/EC), the introduction of the GDPR entails significantly stricter requirements, in particular, with respect to (i) international data transfers, (ii) data mapping and accountability obligations, (iii) the involvement of a data processor, (iv) the appointment of a data protection officer, (v) data subjects' rights (e.g., notices, right to data portability and right to be forgotten), (vi) the need to carry out a data privacy impact assessment regarding data processing activities using new technologies likely to result in a high risk to the rights and freedom of natural persons, and (vii) notification obligations in case of a data breach.

Mitie has invested in a dedicated data privacy function which is responsible for designing and implementing Mitie's group wide GDPR programme, processing data subject requests, identifying and mitigating against risks associated with personal data and ensuring Mitie's compliance with the GDPR.

PART X

INFORMATION ON INTERSERVE FACILITIES MANAGEMENT

1 Overview

Interserve Facilities Management is a leading UK-focused facilities management business, providing services across multiple end-markets.

Interserve Facilities Management provides its customers with a range of hard, soft and specialist facilities management services, such as mechanical & engineering services, building fabric maintenance, grounds maintenance, cleaning, catering, security and logistics services.

Interserve Facilities Management has a diverse customer base, including the UK Government and other public sector customers including local councils, schools and hospitals, as well as a variety of private sector customers, from corporate offices, manufacturing plants to industrial sites. Interserve Facilities Management has historically focused on providing services in the public sector, developing deep relationships with government and other public sector entities and significant expertise and experience in public sector bidding and service delivery. Approximately two-thirds of Interserve Facilities Management's services are provided to public sector customers, based on revenue. In recent years, a refocused strategy on the private sector has utilised Interserve Facilities Management's core strengths in multi-service bundled and total facilities management offerings to expand its private sector customer base. Across these operations, Interserve Facilities Management has significant experience supporting large, complex multi-site estates and utilising its broad experience to maximise customers' property performance.

Interserve Facilities Management operates through three principal business divisions, which are categorised by the customer's sector: Central Government & Defence, Communities and Business & Industry, as set out below.

- **Central Government & Defence ("CG&D")**: provides facilities management services to central government departments in the United Kingdom and Europe, and the Ministry of Defence in the United Kingdom and overseas.
- **Communities**: provides services to devolved public sector customers, with a focus on community environments in healthcare, schools and universities, emergency services and local authorities.
- **Business & Industry ("B&I")**: provides services to private sector and other customers, including corporates, regulated businesses, retail, shopping centres, transport providers and manufacturing and industrial companies. This includes Interserve Facilities Management's standalone Spanish operations.

Interserve Facilities Management's hard and soft service capabilities are offered to customers in each of the three principal business divisions.

Within CG&D, a strong majority of service delivery relates to hard services, whereas there is a greater weighting towards soft services in the Communities and B&I divisions. In recent years, the CG&D and B&I divisions have been the largest by revenue, with Communities slightly smaller. During this time, the CG&D division has comprised approximately one-half of Interserve Facilities Management's EBITDA, with the remainder broadly balanced between Communities and B&I.

In addition to its three principal business divisions, Interserve Facilities Management operates certain activities within its Services Operations division, which includes services related to customer compliance activities and internal service delivery support to Interserve Facilities Management functions, comprising a limited portion of the overall business.

2 History

Interserve Facilities Management comprises the facilities management operations of Interserve's Support Services division. Interserve's history, including predecessor operations, dates back to 1884. Since then, Interserve has developed to provide customers with a variety of support, construction and equipment services, including facility management services, which has been complemented by key acquisitions undertaken over the last 25 years.

Interserve Facilities Management's operations are underpinned by a strong history delivering hard facilities management services to public sector customers, in particular the Ministry of Defence for services across the UK military training estate. Interserve Facilities Management expanded its service capability to strengthen its soft services offering through the acquisitions of MacLellan Group and Initial Facilities in the early part of the twenty-first century, and it has continued to grow its customer base to include private sector clients.

In recent years, challenges to a number of service providers in the broader construction, support and facilities management sectors and factors related to Interserve operations outside of Interserve Facilities Management resulted in a period of instability. In March 2019, it was announced that the business and assets of Interserve plc were being sold to existing lenders via a pre-pack administration. The associated restructuring processes culminated in deleveraging plans and organisational initiatives across the broader Interserve group and within Interserve Facilities Management. This led to the establishment of a new strategy and margin improvement plans, new governance arrangements and a refocus on key customer relationships and service delivery in core areas.

On 25 June 2020, the Company and How Group (a wholly owned subsidiary of Interserve Group Holdings Limited which, in turn, is a wholly owned subsidiary of Interserve Group Limited) entered into the Original Share Purchase Agreement and on 4 November 2020 into the Amendment Agreement in relation to the sale and purchase of Interserve Facilities Management by the Company, as described in Part VIII of this document. Following completion of the Acquisition, as a result of (and immediately following) the issuance of the Consideration Shares, How Group is expected to own approximately 17.5 per cent.[1] of the share capital of Mitie (excluding treasury shares and assuming no other Shares are issued by the Company prior to Admission).

3 Principal Activities

Interserve Facilities Management offers a range of hard, soft and specialist facilities management services, such as mechanical & engineering services, building fabric maintenance, grounds maintenance, cleaning, catering, security and logistics services. These services are provided to customers in its three operating divisions, CG&D, Communities and B&I, as described in "*Divisions and Operating Sectors*" below.

Interserve Facilities Management's service portfolio is broadly balanced between hard services and soft services with an approximate 50/50 split. Historically, Interserve Facilities Management's strength in hard services, such as mechanical & engineering, fire protection and environmental services, has formed the core of its service proposition including advanced capabilities in critical environments for the UK Government, particularly with the Ministry of Defence (within the CG&D division). From this foundation, Interserve Facilities Management has utilised its strengths in co-ordinated facility management service delivery and management to expand its soft service offering, with a particular focus on cleaning services and catering, which are largely provided to customers through its Communities and B&I divisions.

Across these service offerings, Interserve Facilities Management provides customers in each of its three divisions with bundled and total facilities management solution offerings, as described below. This approach enables Interserve Facilities Management to offer each customer a comprehensive and integrated solution that meets the customer's specific facility requirements, for both hard and soft facilities services, whether they are in the public or private sector.

Hard services

Interserve Facilities Management's hard services capabilities, including expertise operating in complex environments, form the core of its service proposition. Interserve Facilities Management predominantly delivers mechanical and engineering services through contract dedicated site resources. Interserve Facilities Management maintains nationwide capabilities across many of its hard services, ensuring it is able to support customers with the technically advanced services they need in the locations where they operate.

Interserve Facilities Management's hard facilities management services include the following:

- *Mechanical & engineering*: service offering for planned preventative maintenance and repair of buildings systems, including facility mechanical and electrical systems, such as lighting, heating, air conditioning, water, fire, waste systems and lifts, as well as 24-hour response support.
- *Building fabric maintenance*: service offering for ongoing planned facility maintenance, encompassing support for repair, decoration and painting works.

1 A certain portion of the Consideration Shares (equal to £40 million in market value, as at the close of business on the date falling two business days prior to Completion) will be issued to the DAC SPV (as opposed to How Group) as Share Box Shares and become subject to the terms of the Share Box Agreement, pursuant to which they could be returned or delivered to the Company. For such time as the Share Box Shares are held by the DAC SPV, the voting rights attaching to those Shares will be exercised by How Group, and How Group will be able to extract amounts in respect of dividends (subject to certain restrictions under the Share Box Agreement).

- *Minor and major projects*: project management and delivery of small and major works as part of an overall end-to-end building, maintenance and service of customer assets and infrastructure.
- *Grounds*: horticultural and landscaping services, including winter services to treat walkways and roads for snow and ice, as well as hard and soft grounds maintenance, planting and other landscaping services.
- *Help desk support*: remote support capabilities for customers' facilities as an integrated solution across service areas.
- *Compliance specialists*: nationwide compliance specialist teams to deliver water hygiene management, fire protection management and asbestos consultancy services.
- *Other specialist*: a number of specialist services relating to specific contracts, including aircraft services, airfield services, high/low voltage distribution, air and ground fuels and land management services.

These hard services are delivered by Interserve Facilities Management's skilled personnel, which include licensed specialists and other competent and dedicated teams covering a variety of trades, including combustion engineers, lift maintenance technicians, painters and decorators, electricians, plumbers, plasterers and glaziers.

Soft services

Interserve Facilities Management also offers a number of soft facilities management services, which provide customers with comprehensive support for a number of facilities requirements. Interserve Facilities Management's broad national footprint, its operating breadth and its scale support its customers' needs, whether they operate in a single location or across a network of facilities. These soft facilities management services include the following:

- *Cleaning*: an innovation-led and flexible service tailored to customer needs, with capabilities across specialist environments such as automotive; custodial; offices; retail; food production, dining and catering; floor care; healthcare, sterile and clean rooms; industrial; and washroom services, among other areas.
- *Catering*: range of catering solutions for cafes, staff restaurants, retail outlets, food halls, schools and hospitals, supported by in-house nutritionists and service staff. Interserve Facilities Management provides catering services through its Autograph brand.
- *Security*: safeguarding solutions to mitigate facility risk based on customer requirements, including licensed on-site personnel and mobile patrols; event management and crowd control; remote 24/7 monitoring; call-out capabilities through emergency services; and a variety of additional security and consultancy services.
- *Portering*: services to support movement of persons and assets, including critical supplies and in-house deliveries in a variety of sectors, including healthcare.
- *Mail room*: services to support the sorting and delivery of inter-departmental and incoming mail to a customer's facility, and processing mail items provided to third-party courier and postal providers.
- *Reception*: customer service solutions, such as reception and front-of-house support; event-planning, concierge and lifestyle services; as well as consultancy services and training and guidance services to help customers develop their customer service capabilities.
- *Laundry*: services, including laundry removal and cleaning, maintenance and repair services for customers' on-site laundry facilities, and design and installation of tailored laundry services for facilities in a variety of sectors.
- *Fleet*: transport services in sectors including heavy commercial, industrial, retail and commuter.

Interserve Facilities Management's soft services are delivered by employees located across the United Kingdom, including licensed security personnel, cleaners, trained customer support and front-of-house personnel, as well as other personnel in a range of specialised jobs and more flexible roles. Interserve Facilities Management's soft services also include limited services in Spain.

Total facilities management and bundled solutions

Across these hard service and soft service offerings, Interserve Facilities Management's strategy aims to provide customers with bundled (a package of hard or soft services) or total facilities management (a package of both hard and soft services) solutions. Under this approach, Interserve Facilities Management provides all (or a significant portion) of the customer's facilities management requirements by tailoring a service offering to meet the particular customer's needs for the relevant facilities. This may include a mix of hard and soft services, or only certain services where required.

A total facilities management arrangement provides benefits for the customer and Interserve Facilities Management. For the customer, these arrangements provide greater consistency in service delivery, simplify decision-making processes across the facilities network and enable external support for best practices, while maximising property and estate efficiencies for the customer and enhancing end-user productivity at the relevant facility. For Interserve Facilities Management, this approach provides significant visibility on the customer's strategic goals and operations, enables it to more fully integrate its service offering, nurtures close customer relationships, and allows it to scale more quickly while increasing the scope and number of services that Interserve Facilities Management provides to each customer. In addition, by expanding the scope of services provided to each customer and, in particular, at a relevant facility, Interserve Facilities Management's total facilities management approach supports internal operating efficiencies and service delivery levels.

Interserve Facilities Management has an established track record of delivering bundled and total facilities management contracts in complex operating environments across multiple locations. Seeking out these broad arrangements has remained a strategic focus area for Interserve Facilities Management's management, which has supported an increase in the proportion of revenue derived from bundled and total facilities management agreements. As a result, the significant majority of Interserve Facilities Management's services in recent years have been provided as part of bundled and total facilities management service arrangements, in particular, within the CG&D and Communities divisions. Legacy arrangements within Interserve Facilities Management's B&I division, as a result of historical merger and acquisition activities, mean that the division has a higher proportion of single-service contracts than CG&D or Communities, however, these single-service contracts comprise less than half of B&I revenue.

4 Divisions and Operating Sectors

Interserve Facilities Management operates through three principal business divisions, which are categorised by the customer's sector: Central Government & Defence (CG&D), Communities and Business & Industry (B&I).

Interserve Facilities Management's hard and soft service capabilities are offered to customers in each division. Within CG&D, a strong majority of service delivery relates to hard services, whereas most services delivered to Communities and B&I customers relate to soft services. In recent years, the CG&D and B&I divisions have been the largest by revenue, with Communities slightly smaller. During this time, the CG&D division has comprised approximately one-half of Interserve Facilities Management's EBITDA, with the remainder broadly balanced between Communities and B&I.

Central Government & Defence (CG&D)

Interserve Facilities Management's CG&D division is a market leader in the provision of facilities management services to the UK Government. Revenue in CG&D was £510.0 million in FY19.

Customers and service areas

Customers of Interserve Facilities Management's CG&D division include the Cabinet Office, the Ministry of Defence, the Foreign & Commonwealth Office, and the Department for Environment, Food and Rural Affairs. Interserve Facilities Management's CG&D division has a presence on a number of framework agreements with the UK Government.

Across these customer relationships, Interserve Facilities Management has significant experience in operating unique and complex contracts with the UK Government, including Foreign & Commonwealth Office European embassies and consulates and Ministry of Defence overseas bases (including in Cyprus, the Falkland Islands and Ascension Islands and Gibraltar) and training estate locations in the United Kingdom. This includes over 25 years of experience with public bodies, which has enabled Interserve Facilities Management to develop a deep understanding of public sector processes and standards and establish a long track record of operating effectively in regulated environments.

Services provided by the CG&D division include estate and infrastructure services across remote (non-hostile) environments, providing complete operation of defence installations, including power generation, provision of water supplies, aviation and ground fuel and critical data centre management. Additional service arrangements include providing specialist engineering services to high containment laboratory environments and providing a range of technical engineering services to data centres, embassies and residential properties in overseas locations, such as facilities management services to the Foreign and Commonwealth Office at facilities in a number of European countries.

Organisation

Interserve Facilities Management's CG&D contracts are delivered by dedicated contract management teams to manage customer relationships and service delivery. Operational service delivery is supported through three key central teams:

- *Professional engineering services*: specialist engineers with expertise in energy & environmental, operations security and engineering, which work closely alongside CG&D customer service teams to provide technical support and assurance services.
- *Projects*: flexible projects team to support all contracts with project management, cost management and principle designer duties, allowing contract teams to rapidly scale across a blended skillset during peak activity and support cost efficiency.
- *Compliance*: specialised team of compliance experts responsible for ensuring CG&D services are delivered in line with the relevant legal and statutory requirements.

Interserve Facilities Management's CG&D division is also supported through central support function capabilities, including human resources, finance/commercial, health and safety, IT and business development teams, including dedicated personnel placed to support the division.

Across these operations, total headcount in Interserve Facilities Management's CG&D division was approximately 6,000 as at 1 November 2019 (in addition to approximately 1,200 personnel employed by the Landmarc joint venture).

Communities

Interserve Facilities Management's Communities division provides services to devolved public sector customers, with a focus on community environments in healthcare, schools and universities, emergency services, and local authorities. Revenue in Communities was £286.7 million in FY19.

Customers and service areas

There are a large number of customers within Interserve Facilities Management's Communities division, including NHS Trusts, the University of Sussex, the Metropolitan Police, Southwark Council and other local councils and schools.

Interserve Facilities Management's Communities division has an established track record and existing sector coverage with healthcare customers. The healthcare sector requires advanced capabilities to meet regulatory standards and other hygiene and safety requirements, and Interserve Facilities Management has significant sector experience across the United Kingdom. Interserve Facilities Management is also an experienced provider of facilities management services in the universities and higher education sector, supported by its broader local public sector experience.

Within the Communities division, Interserve Facilities Management is party to a number of PFI arrangements, in particular, for the provision of services in the healthcare sector to NHS Trusts, as well as local education authorities and academies.

The majority of contracts within the Communities division are total facilities management contracts to provide mechanical, electrical and fabric maintenance and project management, as well as the full range of soft services, including security, catering and cleaning.

Organisation

Interserve Facilities Management's Communities operations are structured geographically, with four regional directors overseeing account managers in the south, north, London and midlands regions. This approach reflects the localised nature of the business and allows Interserve Facilities Management's regional directors to maintain local customer relationships.

A number of very large contracts report directly outside of the regional structure given their size, complexity and dedicated self-supporting management structure.

The Communities division also has specialised service and advisory teams in technical services (including compliance) roles, to ensure services are delivered to required standards, as well as Interserve Facilities Management's Autograph catering service. Interserve Facilities Management's Communities division is also supported through central function capabilities, including human resources, finance/commercial, health and safety, IT and business development teams, including dedicated personnel placed to support the division, as well as the broader central function teams.

Across these operations, total headcount in Interserve Facilities Management's Communities division was approximately 6,100 as at 1 November 2019.

Business & Industry (B&I)

Interserve Facilities Management's B&I division provides services to private sector and other customers, including corporates, regulated businesses, retail, shopping centres, transport providers and manufacturing and industrial companies. Interserve Facilities Management's B&I division offers UK-wide service capabilities, providing advanced facilities management services to national organisations operating across multiple locations. Revenue in B&I was £458.8 million in FY19.

Customers and service areas

Customers of Interserve Facilities Management's B&I division include, among others, Sellafield Ltd, the BBC, Nissan, Land Securities, E-on, Network Rail and JLL. The B&I division also includes Interserve Facilities Management's operations in Spain.

The B&I division focuses on a mix of complex and single-service delivery, including in regulated, corporate and manufacturing environments. These customer requirements enable Interserve Facilities Management to leverage its strengths in critical infrastructure environments and other regulated and quasi-public sectors, including its experience across service delivery within CG&D and Communities. In particular, Interserve Facilities Management has an established track record delivering strong health and safety outcomes in critical environments and supporting just-in-time operations necessary in manufacturing and other regulated environments. Service arrangements include broadcast continuity support for the BBC, which Interserve Facilities Management provides through a total facilities management offering that aims to ensure resilience across multiple locations, as well as project delivery and asset care programmes (including mechanical, electrical and civil capabilities) to Sellafield Ltd. through a joint venture with Jacobs Clean Energy Limited. In corporate environments, Interserve Facilities Management's B&I division has experience optimising client space and creating smart workplace solutions to support productivity. Self-delivery is a key focus in the B&I division, and approximately 80 per cent. of contract work is self-delivered.

In addition to its UK B&I operations, Interserve Facilities Management operates a facilities management business in Spain. These operations report in the B&I division, but they operate on a standalone basis with a separate management team, systems and support functions. The business operates from four primary locations (Madrid, Barcelona, the Balearics and the Canary Islands), with customers in a variety of sectors, predominantly in transport and healthcare, located throughout the country.

Organisation

Interserve Facilities Management's B&I operations are structured according to sector, with teams in place for corporates, regulated & manufacturing, shopping centres, retail and transport. This approach enables Interserve Facilities Management to utilise a standalone management team for the large majority of B&I accounts. Within the corporate sector, key accounts are split and one director is responsible for each contract, and smaller contracts (such as smaller total facilities management or cleaning contracts for small- and medium-sized enterprises) are also bundled and managed separately.

Interserve Facilities Management's B&I division is also supported through central function capabilities, including human resources, finance/commercial, health and safety, IT and business development teams, including dedicated personnel placed to support the division, as well as the broader central function teams. Certain B&I contracts require embedded health and safety resources, which are also provided through this function. The division also has a compliance function that is responsible for compliance with statutory and contractual obligations, with a particular focus on hard and technical services.

Interserve Facilities Management's Spanish operations are run on a standalone basis, independent of the division's organisation structure in the United Kingdom.

Across these operations, total headcount in Interserve Facilities Management's B&I division was approximately 14,400 as at 1 November 2019 (including operations in Spain).

5 Customer Relationships and Contracts

Interserve Facilities Management has a diverse customer base, including the UK Government and other public sector customers including local councils, schools and hospitals as well as a variety of private sector customers, from corporate offices, manufacturing plants to industrial sites.

Customer relationships are maintained within each of the three principal business divisions. Interserve Facilities Management has significant public sector service delivery experience and deep relationships across its CG&D and Communities operations, founded on its history of providing hard services and sophisticated project work to UK Government, local authority and other public sector customers. Contracts with public sector customers tend to be longer term, which enables Interserve Facilities Management to project service requirements within the CG&D and Communities divisions across a number of years. Within the B&I division, Interserve Facilities Management maintains stable relationships with key private sector customers in strategic sectors, following efforts in recent years to re-focus the division strategy to pursue opportunities that leverage Interserve Facilities Management's core strengths and bundled service delivery capabilities.

Customer contracts typically set out the relevant services to be provided, as well as agreed service levels for the relevant facilities management requirements. In addition, Interserve Facilities Management often seeks to undertake additional variable work with existing customers, including project-based activities and other non-project services. Project-based activities are typically performed at higher margins than contracted base services and non-project variable services. Interserve Facilities Management seeks variable and project work in each of its three divisions. These types of variable project-based works have included energy-conservation projects, estate optimisation (to reduce the customer's operating footprint), project delivery through customised supply chain agreements, and climate resilience and waste diversion activities. Historically, variable work has been highest in CG&D when compared to Interserve Facilities Management's other divisions.

Central Government & Defence (CG&D)

Interserve Facilities Management's CG&D division maintains close and established relationships with UK Government departments, including the Ministry of Defence. Within the division, Interserve Facilities Management's contract portfolio is highly concentrated, with its 10 largest contracts comprising the significant majority of division revenue.

As these agreements with central government and defence customers relate to fundamental and integrated support, typically for sophisticated project work in unique and complex situations, these relationships are generally longstanding and anticipated to be fairly stable. Interserve Facilities Management has experienced limited churn within its CG&D services and customer relationships, and the majority of contracted services and projected revenues within the CG&D division are agreed for at least two years in the future.

Communities

Interserve Facilities Management's Communities division aims to leverage stable relationships with key customers, including the NHS and local authorities. Interserve Facilities Management's contract portfolio within the Communities division is relatively concentrated, with its 10 largest contracts comprising a majority of division revenue. In addition, Interserve Facilities Management performs a significant amount of variable work through its Communities division, typically in relation to hard services, which comprises approximately one-third of divisional revenue.

In addition, a number of Communities division services are delivered pursuant to PFI arrangements, which generally relate to the provision of essential services over a significant length of time (up to 20 to 40 years). As a result, Interserve Facilities Management has strong visibility on future services and revenue within the Communities division, and a significant majority of contracted services within the Communities division (based on 2019 service levels) are agreed beyond 2024, including over the next 10 to 20 years for existing PFI arrangements.

Business & Industry (B&I)

Interserve Facilities Management's B&I division maintains relationships with a variety of private sector customers, including established relationships focused on key sectors to provide facilities management services in regulated, corporate and manufacturing environments. The B&I division's customer base is more diverse than that of the CG&D and Communities divisions.

Contractual arrangements with B&I customers are typically for a shorter term than agreements within the CG&D and Communities divisions, coming up for renewal, extension or re-tender every few years (typically three to five years).

6 Central Functions, Employees and Properties

Service Operations

Interserve Facilities Management's Service Operations function is responsible for improving the efficiency of service delivery across Interserve Facilities Management's operations through the standardisation of operating processes throughout the contract lifecycle. The aim of these Service Operations activities is to support operations within the principal business divisions by pooling expertise, sharing best practices and providing a standardised framework to support service delivery.

The Service Operations function is structured as follows:

- *Service delivery groups*: internal Interserve Facilities Management consultant teams, designed to share best practices and roll-out standardised procedures across contracts, including for hard services, security, cleaning, energy and catering.
- *Operational delivery*: Interserve Facilities Management's centralised compliance team focused on delivering specialised services, such as fire, water and asbestos, to external customers, as well as Interserve Facilities Management teams as part of their existing customer services across major UK Government and private sector relationships.
- *Process standardisation*: Interserve Facilities Management's team with responsibility for driving operational improvement across all stages of the contract, including standardising mobilisation procedures, operation-wide computer-aided facilities management capabilities and asset-collection strategies.
- *Customer interactions*: Interserve Facilities Management's dedicated customer operations centres, which support front office and back office operations across Interserve Facilities Management's service activities.

Other centralised support capabilities

Interserve Facilities Management's internal organisation has historically provided the principal business divisions with support through a number of centralised support functions, as described below. These arrangements will be subject to review by Mitie as part of the planned integration processes:

- *Procurement*: Interserve Facilities Management's central procurement personnel work closely with the Service Operations team in order to manage procurement activities across the business and Interserve Facilities Management's supply chain. Procurement personnel are either in central roles, which include transaction support and bidding or in dedicated operational roles to support the principal business divisions.
- *Human resources*: Interserve Facilities Management's human resources capabilities have historically sat within the Interserve shared human resources function, with a number of personnel in Interserve Facilities Management dedicated roles, including HR business partners for each of the principal business divisions. These personnel also support Interserve Facilities Management's dedicated people strategy, across talent development, workforce planning, skills and capabilities, leadership, reward and recognition, culture, and mobilisation and historical transformation activities.
- *Finance*: the finance team is responsible for processes, including accounts payable and receivable; accounting and reporting; finance control and compliance; internal reporting, planning and forecasting; external reporting (including to customers, such as statutory and UK Government reporting requirements); staff expense processing; billing; and other activities. Dedicated finance teams are in place for each of the principal business divisions, as well as Interserve Facilities Management's Service Operations.

- *Health, safety and environmental*: Interserve Facilities Management's HSE capabilities are organised on a regional and account basis in order to support a localised focus across service delivery activities. These personnel are also responsible for HSE strategy and initiatives.
- *Information technology and infrastructure*: IT and related capabilities have historically been largely provided as a shared service by Interserve. For further details on these arrangements, see paragraph 1.6 of Part VIII.
- *Business Development*: sales and bidding is managed centrally for all new business opportunities and all major rebids.

Employees

Interserve Facilities Management employed approximately 29,000 staff as at 31 August 2020, maintaining a diverse and technically skilled employee base. Across its operations, Interserve Facilities Management employs approximately 2,300 specialised workers and approximately 14,350 persons in cleaning roles.

Interserve Facilities Management's culture is underpinned by core established values, and Interserve Facilities Management maintains a commitment to employee health, safety and wellbeing that is embedded throughout its operations. Support and development programmes are provided to employees, including the "Heart of House" programme to develop management, commercial and client-relationship capabilities and the "Customer First" programme to support skill-development for front line staff.

Interserve Facilities Management's employees are supported by a management team with a range of experience, including with peer facilities management providers as well as in related sectors such as construction and outsourced services, financial services, retail, telecommunications and government.

A number of Interserve Facilities Management personnel are members of recognised trade unions. Interserve Facilities Management has a number of recognition agreements and other arrangements in place, including with Unite the Union, Unison (healthcare), Prospect, the General Trade Union (GMB) and a number of unions in connection with operations outside the United Kingdom.

Interserve Facilities Management participates in two sections of Interserve's main defined benefit scheme as well as two smaller group defined benefit pension schemes. It also participates in various public sector defined benefit pension schemes, including the Railways Pension Scheme, Local Government Pension Schemes, NHS Pension Schemes and Civil Service Pension Schemes.

Material Properties

Interserve Facilities Management operates from a number of properties across the United Kingdom. The majority of the properties utilised by Interserve Facilities Management are occupied on a leased basis, although Interserve Facilities Management does have a freehold interest in a small property in Birmingham. None of these leases is considered to be material to Interserve Facilities Management.

7 Legal Proceedings and Investigations

Interserve Facilities Management has and may in the future become involved in, from time to time, claims and lawsuits arising in the ordinary course of its business. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this document, which may have, or have had in the recent past significant effects on Interserve Facilities Management's financial position or profitability. Please refer to paragraph 16 of Part XV of this document.

In April 2019, the FRC commenced an investigation into Grant Thornton's audit of Interserve Plc for the years ended 31 December 2015, 2016 and 2017. Although the investigation is ongoing, Interserve Facilities Management understands that neither Interserve Plc nor any of its executive officers is under investigation.

In May 2018, the FCA commenced an investigation into Interserve Plc. This investigation relates to market announcements regarding certain energy-from-waste projects between July 2016 and February 2017. Interserve Facilities Management understands this investigation is ongoing and limited to Interserve Plc.

8 Joint Ventures

Interserve Facilities Management is party to three structured partnership and joint venture arrangements, which expand its service offering across its CG&D, Communities and B&I operations:

Landmarc

In 2003, Interserve Facilities Management entered into a joint-venture arrangement with Dyncorp International LLC (which was subsequently acquired by PAE, Inc. the current partner to the joint-venture arrangement and a leading provider of global mission services to the US Government), to form Landmarc Support Services Ltd ("**Landmarc**"). Under these arrangements, Interserve Facilities Management owns 51 per cent. of Landmarc and holds 51 per cent. of voting shares (with equal voting rights on critical decisions), and it operates the joint venture on a day-to-day basis. The Landmarc joint venture was selected by the Ministry of Defence in 2003 to deliver a 10-year contract in support of UK defence training and, in a later contract, to deliver the UK national training estate prime, which provides for management of the 240,000 hectare UK defence training estate, including management of all training establishments, areas, camps and ranges (including air weapons ranges) in the United Kingdom. Landmarc also offers consultancy and practical services supporting critical infrastructure and helping to deliver military and civil protection training globally.

Interserve Facilities Management and PAE are party to a shareholders' agreement in respect of the Landmarc joint venture (the "**Landmarc Shareholders' Agreement**"), which includes certain termination and acquisition rights. Upon an event of default in relation to the joint venture arrangement, PAE has the right to require Interserve Facilities Management to: (i) sell its shares in Landmarc at 80 per cent. of their fair value; or (ii) buy PAE's shares in Landmarc at fair value. The circumstances that may constitute an event of default include a material breach of the Landmarc Shareholders' Agreement (or a failure to remedy such breach within 21 days of request by the other shareholder, if applicable) and certain insolvency events occurring in relation to any of the shareholders or guarantors.

The Landmarc Shareholders' Agreement also sets out certain matters relating to the governance of Landmarc, deadlock matters, restrictions on transfers of shares in Landmarc, and obligations of the shareholders toward Landmarc.

If termination of the Landmarc joint venture were to occur it would be likely to have a material impact on the business of Interserve Facilities Management.

Sussex Partnership

Interserve Facilities Management and the University of Sussex formed the Sussex Estates and Facilities partnership (the "**Sussex Partnership**") in 2013 to provide a total facilities management solution, spanning soft services, maintenance, security, energy and waste disposal to the university. In January 2020, the initial contract term was extended until 2024. Under the arrangement, Interserve Facilities Management is a minority partner with a 35 per cent. share in the joint venture. The Sussex Partnership is of strategic value to Interserve Facilities Management due to its significance within the university sector.

Interserve Facilities Management and the University of Sussex are party to a partnership agreement in respect of the Sussex Partnership (the "**Sussex Partnership Agreement**"), which does not include express termination rights. By default, the Limited Liability Partnerships Act 2000 therefore allows Interserve Facilities Management to leave the partnership through agreement with the University of Sussex, or by giving reasonable notice to the University of Sussex.

The Sussex Partnership Agreement also sets out certain matters relating to the governance of the Sussex Partnership, restrictions on assignment of rights in the Sussex Partnership Agreement, restrictions on conduct with respect to hiring of employees of the Sussex Partnership, and obligations of the partners toward the Sussex Partnership.

OneAIM

Interserve Facilities Management is party to a joint venture arrangement with Jacobs Clean Energy Limited (formerly Wood Group) to provide project maintenance work (including civil, mechanical and electrical engineering services) to Sellafield Ltd. Under this arrangement, each party is a 50 per cent. partner in the joint venture.

OneAIM was selected in 2017 to provide project maintenance work (including civil, mechanical and electrical engineering services) to Sellafield Ltd. The OneAIM joint venture builds upon Interserve Facilities Management's experience with Sellafield, which dates over 15 years supporting major projects at the site.

Interserve Facilities Management and Jacobs are party to a joint-venture agreement in respect of OneAIM (the "**OneAIM JV Agreement**"), which includes certain termination and acquisition rights. Upon an event of default in relation to the joint venture arrangement, either party has the right to suspend or exclude the defaulting party from the agreement, and take over the benefit of the defaulting party's interest in OneAIM (without releasing the defaulting party from its liabilities). The circumstances that may constitute an event of default include: (i) insolvency on the part of either party; (ii) a failure by a party to pay certain amounts specified under the OneAIM JV Agreement; (iii) the assignment of any rights or obligations of any party without the other party's consent; and (iv) failure to remedy a breach of any party's obligations within 30 days of request by the other party.

The OneAIM JV Agreement also sets out certain matters relating to the governance of OneAIM, deadlock procedures, restrictions on the parties with respect to entering into competing agreements, and obligations of the shareholders toward OneAIM.

The OneAIM joint venture is of significant strategic importance to Interserve Facilities Management in the nuclear sector, and termination of the joint venture could therefore impact the potential future growth of Interserve Facilities Management in this sector.

PART XI

HISTORICAL FINANCIAL INFORMATION OF MITIE GROUP PLC

Financial statements relating to Mitie as at and for the year ended 31 March 2020 are incorporated into this document by reference to the 2020 Annual Report and Accounts as described in Part XVI of this document.

PART XII

HISTORICAL FINANCIAL INFORMATION OF INTERSERVE FACILITIES MANAGEMENT

Basis of financial information

The historical financial information of Interserve Facilities Management for FY17, FY18 and FY19 ("**Interserve Facilities Management Historical Financial Information**") and the accountant's report thereon are set out in this Part XII.

The Interserve Facilities Management Historical Financial Information has been prepared in accordance with IFRS and using accounting policies consistent with those used to prepare the last audited consolidated financial statements of Mitie. For purposes of this Part XII, references to "Facilities Management" are to Interservefm (Holdings) Limited together with its subsidiaries and subsidiary undertakings.

SECTION A: HISTORICAL FINANCIAL INFORMATION OF INTERSERVE FACILITIES MANAGEMENT FOR FY19, FY18 AND FY17

Combined Income Statement

	Note	Year ended 31 December 2019			Year ended 31 December 2018[1]			Year ended 31 December 2017[1 2]		
		Before other items	**Other items[3]**	**Total**	**Before other items**	**Other items[3]**	**Total**	**Before other items**	**Other items[3]**	**Total**
						£million				
Revenue including share of associates and joint ventures		*1,310.1*	*46.5*	***1,356.6***	*1,382.4*	*46.1*	***1,428.5***	*1,407.7*	*35.9*	***1,443.6***
Less: Share of associates and joint ventures		*(78.1)*	—	***(78.1)***	*(64.3)*	—	***(64.3)***	*(58.8)*	—	***(58.8)***
Combined revenue	*5, 7*	1,232.0	46.5	**1,278.5**	1,318.1	46.1	**1,364.2**	1,348.9	35.9	***1,384.8***
Cost of sales	*7*	(1,154.1)	(46.9)	**(1,201.0)**	(1,231.7)	(38.1)	**(1,269.8)**	(1,270.4)	(68.4)	***(1,338.8)***
Gross profit/(loss)		**77.9**	**(0.4)**	**77.5**	**86.4**	**8.0**	**94.4**	**78.5**	**(32.5)**	**46.0**
Administrative expenses	*7*	(46.4)	(61.4)	**(107.8)**	(49.0)	(79.3)	**(128.3)**	(45.9)	(62.0)	**(107.9)**
Impairment losses on trade receivables	*19*	(2.7)	—	**(2.7)**	(1.8)	—	**(1.8)**	(3.9)	—	**(3.9)**
Operating profit/(loss)	*8*	**28.8**	**(61.8)**	**(33.0)**	**35.6**	**(71.3)**	**(35.7)**	**28.7**	**(94.5)**	**(65.8)**
Share of profit of associates and joint ventures	*16*	5.2	—	**5.2**	3.9	—	**3.9**	3.6	—	**3.6**
Total operating profit/(loss)		**34.0**	**(61.8)**	**(27.8)**	**39.5**	**(71.3)**	**(31.8)**	**32.3**	**(94.5)**	**(62.2)**
Finance income	*10*	7.1	—	**7.1**	9.1	—	**9.1**	10.3	—	**10.3**
Finance costs	*10*	(15.1)	—	**(15.1)**	(18.0)	—	**(18.0)**	(19.7)	—	**(19.7)**
Net finance costs		**(8.0)**	**—**	**(8.0)**	**(8.9)**	**—**	**(8.9)**	**(9.4)**	**—**	**(9.4)**
Profit/(loss) before tax		**26.0**	**(61.8)**	**(35.8)**	**30.6**	**(71.3)**	**(40.7)**	**22.9**	**(94.5)**	**(71.6)**
Taxation	*7,11*	(10.8)	4.7	**(6.1)**	(9.6)	6.0	**(3.6)**	(5.9)	9.0	**3.1**
Profit/(loss) for the year		**15.2**	**(57.1)**	**(41.9)**	**21.0**	**(65.3)**	**(44.3)**	**17.0**	**(85.5)**	**(68.5)**

[1] Facilities Management initially applied IFRS 16 *Leases* at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated, and is therefore prepared in accordance with IAS 17 *Leases* and related interpretations, see note 4.

[2] Facilities Management initially applied IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* at 1 January 2018, using the modified retrospective approach. Under this approach, comparative information is not restated and is therefore prepared in accordance with IAS 11 *Construction Contracts*, IAS 18 *Revenue* (and related interpretations) and IAS 39 *Financial Instruments: Recognition and Measurement*, see note 4.

[3] Other items consist of non-underlying items, amortisation of acquired intangible assets and impairment of goodwill, as described in note 7.

Combined Statement of Comprehensive Income

	Note	Year ended 31 December 2019	Year ended 31 December 2018[1]	Year ended 31 December 2017[1] [2]
			£million	
Loss for the year		**(41.9)**	**(44.3)**	**(68.5)**
Other comprehensive income/(expense)				
Items that will not be reclassified to the income statement in subsequent years:				
Equity-accounted investees – share of OCI .	*16*	0.5	0.3	0.9
Remeasurement of defined benefit pension schemes..	*24*	7.7	1.8	0.4
Tax charge on remeasurement of defined benefit pension schemes...............................	*11*	(1.3)	(0.3)	(0.1)
		6.9	**1.8**	**1.2**
Items that may be reclassified to the income statement in subsequent years:				
Exchange differences on translation of foreign operations...		(1.1)	0.2	0.6
		(1.1)	**0.2**	**0.6**
Other comprehensive income for the year, net of tax..		**5.8**	**2.0**	**1.8**
Total comprehensive expense for the year		**(36.1)**	**(42.3)**	**(66.7)**

[1] Facilities Management initially applied IFRS 16 *Leases* at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated, and is therefore prepared in accordance with IAS 17 *Leases* and related interpretations, see note 4.
[2] Facilities Management initially applied IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* at 1 January 2018, using the modified retrospective approach. Under this approach, comparative information is not restated and is therefore prepared in accordance with IAS 11 *Construction Contracts*, IAS 18 *Revenue* (and related interpretations) and IAS 39 *Financial Instruments: Recognition and Measurement*, see note 4.

Combined Statement of Financial Position

	Note	31 December 2019	31 December 2018[1]	31 December 2017[1 2]	1 January 2017[1 2]
		£million			
Non-current assets					
Goodwill	*12*	245.3	282.1	320.6	337.1
Other intangible assets	*13*	13.2	22.0	40.6	56.4
Property, plant and equipment	*14*	31.1	11.8	9.3	9.1
Investments in associates and joint ventures	*16*	11.3	9.0	9.3	5.9
Trade and other receivables	*19*	257.2	238.1	305.1	306.1
Deferred tax assets	*17*	11.2	12.9	11.8	7.0
Total non-current assets		**569.3**	**575.9**	**696.7**	**721.6**
Current assets					
Inventories	*18*	6.0	5.9	6.2	3.7
Trade and other receivables	*19*	330.9	349.0	369.6	358.1
Cash and cash equivalents	*20*	148.6	129.3	77.0	104.5
Total current assets		**485.5**	**484.2**	**452.8**	**466.3**
Total assets		**1,054.8**	**1,060.1**	**1,149.5**	**1,187.9**
Current liabilities					
Trade and other payables	*21*	(217.0)	(224.0)	(203.2)	(232.1)
Deferred income	*6*	(29.3)	(25.6)	(22.7)	(20.9)
Current tax liabilities		(0.2)	(0.1)	(2.7)	(1.4)
Financing liabilities	*22*	(262.7)	(165.9)	(211.3)	(175.7)
Provisions	*23*	(8.1)	(13.2)	(22.4)	(5.7)
Total current liabilities		**(517.3)**	**(428.8)**	**(462.3)**	**(435.8)**
Non-current liabilities					
Trade and other payables	*21*	(2.2)	(2.8)	(2.8)	(2.8)
Deferred income	*6*	(15.7)	(19.6)	(19.7)	(19.2)
Financing liabilities	*22*	(335.2)	(392.3)	(400.2)	(413.9)
Provisions	*23*	(5.9)	(3.1)	(13.9)	(8.8)
Retirement benefit liabilities	*24*	(2.3)	(10.1)	(11.9)	(12.2)
Total non-current liabilities		**(361.3)**	**(427.9)**	**(448.5)**	**(456.9)**
Total liabilities		**(878.6)**	**(856.7)**	**(910.8)**	**(892.7)**
Net assets		**176.2**	**203.4**	**238.7**	**295.2**
Equity					
Invested equity attributable to Interserve		176.7	202.8	238.3	295.4
Translation reserve		(0.5)	0.6	0.4	(0.2)
Total equity		**176.2**	**203.4**	**238.7**	**295.2**

[1] Facilities Management initially applied IFRS 16 *Leases* at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated, and is therefore prepared in accordance with IAS 17 *Leases* and related interpretations, see note 4.

[2] Facilities Management initially applied IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* at 1 January 2018, using the modified retrospective approach. Under this approach, comparative information is not restated and is therefore prepared in accordance with IAS 11 *Construction Contracts*, IAS 18 *Revenue* (and related interpretations) and IAS 39 *Financial Instruments: Recognition and Measurement*, see note 4.

Combined Statement of Changes in Equity

	Invested equity attributable to Interserve	Translation reserve	Total equity
		£million	
Balance at 1 January 2017[1] [2]	**295.4**	**(0.2)**	**295.2**
Loss for the year	(68.5)	—	**(68.5)**
Other comprehensive income			
Equity-accounted investees – share of OCI	0.9	—	**0.9**
Remeasurement of defined benefit pension schemes net of tax impact	0.3	—	**0.3**
Exchange differences on translation of foreign operations	—	0.6	**0.6**
Total comprehensive (expense)/income	**(67.3)**	**0.6**	**(66.7)**
Equity transactions with Interserve (note 1.3 and note 30)	10.2	—	**10.2**
Balance at 31 December 2017[1] [2]	**238.3**	**0.4**	**238.7**
Loss for the year	(44.3)	—	**(44.3)**
Other comprehensive income			
Equity-accounted investees – share of OCI	0.3	—	**0.3**
Remeasurement of defined benefit pension schemes net of tax impact	1.5	—	**1.5**
Exchange differences on translation of foreign operations	—	0.2	**0.2**
Total comprehensive (expense)/income	**(42.5)**	**0.2**	**(42.3)**
Equity transactions with Interserve (note 1.3 and note 30)	7.0	—	**7.0**
Balance at 31 December 2018[1]	**202.8**	**0.6**	**203.4**
Loss for the year	(41.9)	—	**(41.9)**
Other comprehensive income/(expense)			
Equity-accounted investees – share of OCI	0.5	—	**0.5**
Remeasurement of defined benefit pension schemes net of tax impact	6.4	—	**6.4**
Exchange differences on translation of foreign operations	—	(1.1)	**(1.1)**
Total comprehensive expense	**(35.0)**	**(1.1)**	**(36.1)**
Equity transactions with Interserve (note 1.3 and note 30)	8.9	—	**8.9**
Balance at 31 December 2019	**176.7**	**(0.5)**	**176.2**

[1] Facilities Management initially applied IFRS 16 *Leases* at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated, and is therefore prepared in accordance with IAS 17 *Leases* and related interpretations, see note 4.

[2] Facilities Management initially applied IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* at 1 January 2018, using the modified retrospective approach. Under this approach, comparative information is not restated and is therefore prepared in accordance with IAS 11 *Construction Contracts*, IAS 18 *Revenue* (and related interpretations) and IAS 39 *Financial Instruments: Recognition and Measurement*, see note 4.

Combined Statement of Cash Flows

	Note	Year ended 31 December 2019	Year ended 31 December 2018[1]	Year ended 31 December 2017[1 2]
			£million	
Cash flows from operating activities				
Total operating loss		(27.8)	(31.8)	(62.2)
Adjustments for:				
Defined benefit pension contributions	*24*	(0.4)	(0.3)	(0.3)
Allocation of corporate costs from Interserve	*30*	11.0	11.0	12.6
Depreciation of property, plant and equipment (including right-of-use asset from 1 January 2019)	*14,15*	14.4	4.3	4.6
Amortisation of intangible assets	*13*	8.3	19.6	16.5
Impairment of intangible assets	*13*	—	—	6.3
Impairment of goodwill	*12*	36.8	38.5	16.5
Loss/(gain) on disposal of property, plant and equipment	*8*	0.3	(0.1)	—
Loss on disposal of intangible assets	*8*	0.5	0.6	0.7
Share of profit of associates and joint ventures	*16*	(5.2)	(3.9)	(3.6)
Operating cash flows before movements in working capital		**37.9**	**37.9**	**(8.9)**
(Increase)/decrease in inventories		(0.1)	0.3	(2.5)
Decrease/(increase) in trade and other receivables		17.4	17.0	(10.5)
(Decrease)/increase in deferred income		(0.2)	2.8	2.3
(Decrease)/increase in trade and other payables		(7.6)	20.8	(28.4)
(Decrease)/increase in provisions		(3.1)	(20.0)	21.8
		44.3	**58.8**	**(26.2)**
Interest paid		(16.9)	(18.2)	(19.5)
Income taxes paid		(7.2)	(9.3)	(2.9)
Net cash generated from/(used in) operating activities		**20.2**	**31.3**	**(48.6)**
Cash flows from investing activities				
Interest received		7.3	10.8	9.8
Dividends received from associates and joint ventures	*16*	3.4	4.5	1.2
Purchase of property, plant and equipment	*14*	(1.3)	(2.0)	(4.6)
Purchase of other intangible assets	*13*	—	(1.6)	(7.7)
Disposal of property, plant and equipment		—	1.0	0.3
Net cash generated from/(used in) investing activities		**9.4**	**12.7**	**(1.0)**
Cash flows from financing activities				
Capital elements of lease rental payments	*28*	(11.8)	(0.9)	(0.2)
Equity transactions with Interserve	*30*	(0.5)	(4.9)	—
Advance of funds for loans due from Interserve		(21.5)	(14.0)	(9.5)
Receipt from repayment of loans due from Interserve		2.1	81.0	10.0
Receipt from issue of loans due to Interserve		10.7	15.5	1.1
Repayment of loans due to Interserve		(35.6)	(19.3)	(14.8)
Net cash (used in)/generated from financing activities		**(56.6)**	**57.4**	**(13.4)**
Net (decrease)/increase in cash and cash equivalents		(27.0)	101.4	(63.0)
Cash and cash equivalents at beginning of the year	*20*	89.4	(12.0)	51.0
Net cash and cash equivalents at end of the year	*20*	**62.4**	**89.4**	**(12.0)**

[1] Facilities Management initially applied IFRS 16 *Leases* at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated, and is therefore prepared in accordance with IAS 17 *Leases* and related interpretations, see note 4.

[2] Facilities Management initially applied IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* at 1 January 2018, using the modified retrospective approach. Under this approach, comparative information is not restated and is therefore prepared in accordance with IAS 11 *Construction Contracts*, IAS 18 *Revenue* (and related interpretations) and IAS 39 *Financial Instruments: Recognition and Measurement*, see note 4.

Notes

(*forming part of the combined carve-out financial information*)

1 Background and basis of preparation

1.1 Background and purposes of the combined carve-out financial information

Interserve Group Limited (incorporated on 15 February 2019) and its subsidiaries, and also formerly Interserve plc (before its entering into administration on 15 March 2019) (together being 'Interserve Group' or 'Interserve'), is involved in the provision of support services, construction services and equipment services predominantly across the UK and Middle East.

On 25 June 2020, Mitie Group plc ('Mitie') and How Group Limited (a wholly owned subsidiary of Interserve Group Limited) entered into a conditional agreement for the sale and purchase of the equity share capital of Interservefm (Holdings) Limited, being a set of operations ('Facilities Management') included within the Support Services Division ('Support Services') of Interserve ('the Transaction').

Facilities Management manages and delivers outsourced operational activities, including facilities management, training and employment services across both public and private sectors predominantly in the UK and the Middle East.

Facilities Management represents a combination of standalone legal entities and, due to the nature of the Transaction, does not represent a group of statutory entities in accordance with consolidation requirements. Facilities Management includes the following service lines: Central Government & Defence, Business & Industry, Communities, Service Operations and Infrastructure & Industrial. The transaction perimeter specifically excludes;

a) the Infrastructure & Industrial service line ('I&I') as this was sold by Interserve to a third party during 2018, through the sale of Interserve Industrial Services Limited (subject to several residual contracts in the Power business, see below);

b) the Power business (part of I&I), whereby certain contracts were transferred to a legal entity within the transaction perimeter during 2018, immediately prior to the disposal of Interserve Industrial Services Limited ('Power'). These contracts are being wound down through gradual completion of existing contracts and no new work being tendered. The Power contracts ended during 2019, however have not been closed out with the customer by either 31 December 2019 or the date of approval of this combined carve-out financial information. The results of these contracts have been excluded on the basis they have ended at the time of the Transaction and are not part of the continuing service lines in Facilities Management which are being acquired by Mitie.

   The consideration for the Transaction due by Mitie to Interserve is to be adjusted for the expected costs of closing out these Power contracts. At 31 December 2019, the entity in the transaction perimeter which operated the Power contracts held a provision for the closure costs of these contracts alongside a retention receivable. These balances have been recognised in the combined statement of financial position as at 31 December 2019 as a transaction with Interserve recognised directly in equity.

c) Buildings & Property (Holdings) Limited ('B&P'), a former subsidiary of Interservefm (Holdings) Limited, which was sold outside of the transaction perimeter via an intra-group sale and purchase agreement in April 2020;

d) Interserve Engineering Services Limited ('Engineering'), a former indirect subsidiary of Interservefm (Holdings) Limited, which was sold outside of the transaction perimeter via an intra-group sale and purchase agreement in 2018;

e) The Indium Division Company SL ('Indium'), a former indirect subsidiary of Interservefm (Holdings) Limited, which was sold by Interserve to a third party during 2018;

f) eight dormant entities which were placed into Members Voluntary Liquidation in June 2019 as part of an Interserve legal entity rationalisation programme ('liquidated dormants'); and

g) the branch in Oman operated by Interserve Technical Services Limited ('Oman branch'). During 2018, 2019 and early 2020, the Oman branch operated a contract on behalf of the Construction division within Interserve Group. As this contract does not relate to the

Facilities Management business, and has ended prior to the Transaction, it has not been included in this combined carve-out financial information for the three years ended 31 December 2019.

As Facilities Management was not formed of a separate standalone legal entity or group of entities as at and for the three years ended 31 December 2019, the historical financial information herein represents an aggregation of the assets, liabilities, revenues and expenses directly attributable to Facilities Management excluding I&I, Power, B&P, Engineering, Indium, liquidated dormants and the Oman branch (together 'the excluded operations').

As a result, this historical financial information has been prepared on a combined basis from Interserve Group Limited's (and formerly Interserve plc's) consolidated financial statements. As Facilities Management does not constitute a group as defined by IFRS 10 *Consolidated Financial Statements*, this combined carve-out financial information is not consolidated financial information and does not comply with the requirements of IFRS 10. However, this combined carve-out financial information has been prepared on a combined basis by applying the consolidation principles of IFRS 10. IFRS 1 *First-time Adoption of International Financial Reporting Standards* has also not been applied as the aggregated entities do not represent a group of entities from a statutory perspective.

This combined carve-out financial information for Facilities Management is included in the Prospectus for the purposes of assisting potential investors in their assessment of the financial position and performance of Facilities Management. Financial positions are included as at 31 December 2019, 31 December 2018, 31 December 2017 and 1 January 2017 and financial performance is presented for the three years ended 31 December 2019.

1.2 Entities included within Facilities Management

The financial position and financial performance of the following entities are included as part of this combined carve-out financial information:

Bateman's Cleaning Services Limited
Broadreach Group Limited
Building & Property Trustees Limited
Central Window Cleaning Company Limited
First Security Group Limited
Industrial Services International Limited
Insitu Cleaning Company Limited
Interserve (Defence) Limited
Interserve (Facilities Management) Limited
Interserve (Facilities Services) Limited
Interserve (Facilities Services-Slough) Limited
Interserve Building Services (UK) Limited
Interserve Catering Services Limited
Interserve Centro Especial De Empleo SL (Spain)
Interserve Environmental Services Limited
Interserve Facilities Services SA (Spain)
Interserve Fire Services Limited
Interserve FS (UK) Limited
Interserve Hospital Services Limited
Interserve Integra SL (Spain)
Interserve Integrated Services Limited
Interserve Project Services Limited
Interserve Rezayat Company LLC (Saudi Arabia, joint venture, 50% ownership)
Interserve Saudi Arabia LLC (Saudi Arabia)
Interserve Security (Fire & Electronics) Limited
Interserve Security (First) Limited
Interserve Security (Knightsbridge) Limited
Interserve Security Limited
Interserve Specialist Services (Holdings) Limited
Interserve Technical Services Limited
Interservefm (Holdings) Limited

Interservefm Limited
Knightsbridge Guarding Holdings Limited
Knightsbridge Guarding Limited
Lancaster Office Cleaning Company Limited
Landmarc Gulf Consultancy Management LLC (*Abu Dhabi, joint venture, 49% ownership by Landmarc Support Services Limited*)
Landmarc Support Services Limited (joint venture, 51% ownership)
MacLellan Group Limited
MacLellan Integrated Services Limited
MacLellan International Airport Services Limited
MacLellan International Limited
MacLellan Limited
MacLellan Management Services Limited
Phoenix Fire Services Limited
Phonotas Services Limited
Pride (SERP) Limited (joint venture, 50% ownership)
R & D Holdings Limited
Ramoneur Cleaning and Support Services Limited
Retail Cleaning Services Limited
SSD UK Limited
Sussex Estates & Facilities LLP (associate, 35% ownership)
TASS (Europe) Limited
Translimp Contract Services SA (Spain)
Unique Cleaning Services Limited

1.3 Applicable accounting framework and basis of combination

This historical combined carve-out financial information has been prepared in accordance with the applicable requirements of the Prospectus Directive Regulation and this basis of preparation and follows the recognition, measurement and disclosure principles of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") (except for the departure from the requirements of IFRS 10, see note 1.1 and below). The accounting policies adopted are consistent with those adopted by Mitie for the year ended 31 March 2020.

Adopted IFRS does not provide for the preparation of combined carve-out financial information and accordingly in preparing the combined carve-out financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 *Investment Reporting Standards applicable to Public Reporting Engagements on Historical Financial Information* as issued by the Financial Reporting Council in March 2020 have been applied.

This combined carve-out financial information may not be indicative of Facilities Management's future performance and does not necessarily reflect what its combined results of operations, financial position and cash flows would have been had Facilities Management operated as a separate independent business during the periods presented.

Facilities Management has not been managed as a single economic entity separately from the excluded operations and is therefore defined by reference to the business considered to be disposed of by Interserve. This combined carve-out financial information does not constitute a set of consolidated financial statements within the context of Adopted IFRS as Facilities Management does not represent a group for accounting purposes.

The combined carve-out financial information eliminates all balances and transactions (other than with jointly controlled entities and associates) between activities included within Facilities Management, including unrealised profits arising from inter-Facilities Management transactions, in full.

Transactions and balances between Facilities Management and Interserve have been presented as external transactions and balances and have been disclosed as related party transactions and balances in accordance with IAS 24 *Related Party Disclosures*.

No separate share capital or other similar equity reserves have been shown on the basis that Facilities Management does not represent a group. The net investment of Interserve in Facilities Management is presented as 'Invested equity attributable to Interserve' in the combined statement of financial position.

Movements in the Invested equity attributable to Interserve due to the contribution or extraction of resources by Interserve have been presented as contributions or distributions respectively in the combined statement of changes in equity and within financing activities in the combined statement of cash flows.

This combined financial information is presented in millions of Sterling ("£million") unless otherwise stated. This combined carve-out financial information has been prepared under the historical cost convention and based upon the accounting policies disclosed below.

1.4 Going concern

This combined carve-out financial information for Facilities Management has been prepared on a going concern basis. The going concern assessment has been performed assuming that the acquisition of Facilities Management by Mitie (together 'the Enlarged Group') is completed before 31 March 2021. Since Facilities Management will be dependent upon the working capital support of the Enlarged Group, the going concern assessment has been made on the Enlarged Group.

As part of the Enlarged Group going concern assessment, the directors of Mitie (the 'Directors') have considered modelling through to 31 March 2022, performed using a number of different scenarios, including a Reasonable Worst Case ('RWC') downside scenario, all in the context of the COVID-19 pandemic. The Directors note that in making an assessment over the remoteness of the COVID-19 assumptions that significant judgement has been applied.

The forecasts for Facilities Management, included in the forecasts for the Enlarged Group, have been subject to due diligence reviews by the Directors and external professional advisors, and, where possible, have been reviewed against actual results to assess the accuracy of forecasts. These reviews resulted in some adjustments to the forecasts for Facilities Management that were included in the forecasts for the Enlarged Group, including the base case. The Directors also considered the nature of contingent liabilities relating to Facilities Management, and the nature of the warranties and escrow arrangements in place, particularly in relation to the cyber incident (note 31).

The COVID-19 pandemic is having an impact on the Enlarged Group's business. In some instances, this has led to an increase in demand for services from areas such as supermarkets, on-line retailers, COVID-19 NHS Nightingale hospitals and testing centres. Conversely, discretionary variable works and engineering projects have seen a significant slowdown, and many offices and retail outlets have been closed during lockdown, impacting revenues.

In undertaking the going concern assessment, the Directors have considered the RWC downside scenario, which takes into account the potential impact of COVID-19. The RWC downside scenario assumes that the second COVID-19 lockdown announced by the government on 31 October 2020 ultimately results in a three month lockdown, with an impact more severe than the first COVID-19 lockdown, resulting in Enlarged Group revenue being approximately 10% lower than that recognised in the first COVID-19 lockdown. As a result of the restrictions to date and those assumed to occur over the following months, the Enlarged Group's revenue is assumed to decline by approximately 20% in the year to 31 March 2021, with variable works and projects being most significantly impacted. Enlarged Group revenue in the year to 31 March 2022 is expected to remain approximately 10% below Enlarged Group revenue for the year to 31 March 2020. In addition, the RWC downside scenario assumes that working capital, inclusive of bad debts, excluding the government's "Time to Pay" deferral, comes under pressure in the year to 31 March 2021, resulting in a net negative cash flow impact of approximately £115 million in Mitie and approximately £20 million in Facilities Management. It is assumed that this dynamic slowly reverses to normalised levels from April 2021 and into the year to 31 March 2022.

The RWC downside scenario also factors in the actions that are within the Enlarged Group's control that would be taken in response to the revenue reduction, to mitigate the profit and cash flow impacts.

The Enlarged Group's principal debt financing arrangements will be a £250 million revolving credit facility, which expires on 16 December 2022, and £151.5 million of US private placement notes, of which £121.5 million are repayable in December 2022 and the remaining £30.0 million in December 2024. These financing arrangements are subject to certain financial covenants which are tested every six months on a rolling 12-month basis. Bank consent, required in respect of a transaction of this nature, has already been received and Mitie currently operates within the terms of its agreements with its lenders.

If the Enlarged Group's results were to be in line with the RWC downside scenario, it would not be in breach of its financial covenants for a period of no less than 12 months from approval of this combined carve-out financial information.

Based on this assessment, the Directors have a reasonable expectation that the Enlarged Group has adequate resources to continue in operational existence for a period of no less than 12 months from the date of this document. In addition, in respect of material uncertainty, the directors consider that this is remote.

1.5 Methodology for preparation of the combined carve-out financial information

This combined carve-out financial information was prepared using Facilities Management's historical records of its assets and liabilities, and includes all revenues, expenses, assets and liabilities directly attributable to Facilities Management. Costs directly associated with Facilities Management, for example, the costs associated with employment costs and other direct overheads, are separately identifiable and have been included directly within this combined carve-out financial information.

In addition, there are a number of other indirect central costs which have been allocated into this combined carve-out financial information to reflect that Facilities Management operated as part of the Interserve Group. These costs primarily relate to corporate overheads, legal and information system costs. Corporate overheads include such expenses as central tax & treasury functions, human resources, central finance functions and property services. These expenses have been allocated to Facilities Management on the basis of direct usage when identifiable, with the remainder allocated on the basis of either head count numbers (for human resources costs), numbers of members in defined benefit pension schemes (for pension related costs), and revenue (for all other costs) attributable to Facilities Management, in proportion to the Interserve Group. Further detail is provided in the related parties transaction note 30 to this combined carve-out financial information.

For the combined statement of financial position, the assets and liabilities included are those that historically have been used, and are relevant to, Facilities Management, and which are included within the business expected to be sold. Directly attributable assets and liabilities to Facilities Management have been aggregated, including goodwill and certain pension schemes allocated to Facilities Management (see notes 12 and 24 respectively).

1.6 Related party balances

Related parties are Interserve and individuals or entities:

- under the control, joint control or significant influence of Interserve; and
- which control or exercise joint control or significant influence over Interserve.

In addition, key management personnel of Facilities Management are related parties for this combined carve-out financial information.

1.7 Measures of performance

In this combined carve-out financial information, Facilities Management has elected to provide 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 Facilities Management.

Other items are items of financial performance which Facilities Management believes should be separately identified on the face of the combined income statement to assist in understanding the underlying financial performance achieved by Facilities Management and the extent to which results are influenced by material unusual and/or non-recurring items. Further details of other items are set out in note 7.

Facilities Management separately reports impairment of goodwill, impairment and amortisation of acquisition related intangible assets, the cost of restructuring programmes and other exceptional items and their related tax effect as other items. Should these items be reversed, disclosure of this is also included as other items.

2 Accounting policies applied in preparing the combined carve-out financial information

2.1 Revenue recognition

Prior to 1 January 2018

Prior to 1 January 2018, revenue recognition was accounted for in accordance with IAS 18 *Revenue* and IAS 11 *Construction Contracts*.

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided, net of trade discounts, value added and similar sales-based taxes.

Service contracts

Revenue represents the value of work carried out during the period as services are provided, including amounts not invoiced. Service contracts are invoiced as work is performed on either a fixed monthly fee plus additional services performed during the month (on a schedule of rates), or hours worked/tasks performed, again on a schedule of rates basis, in the month. As service contracts may be based on hours of work performed, and this information is processed from timesheets, accruing of income at the period end is necessary with invoicing occurring shortly afterwards. Some customer invoicing arrangements do not coincide with month end or Facilities Management is contractually entitled to invoice in advance and such income is deferred and recognised in the period in which it is earned. Expected losses on service contracts are recognised immediately.

Where Facilities Management is not exposed to the significant risks and rewards associated with the provision of the services, Facilities Management is acting as an agent, and only the amounts of commission are recognised.

Construction contracts

Revenue is recognised by reference to services performed to date as a percentage of total services to be performed. Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Where the outcome of a contract cannot be estimated reliably, revenue is only recognised to the extent that it is probable that it will be recoverable. Revenue in respect of variations to contracts and incentive payments is recognised when it is probable it will be agreed by the customer. Expected losses on construction contracts are recognised immediately.

Post 1 January 2018

From 1 January 2018, revenue recognition is accounted for in accordance with IFRS 15 *Revenue from Contracts with Customers*.

Facilities Management operates contracts with a varying degree of complexity across its service lines (being Central Government & Defence, Business & Industry, Communities and Service Operations), so a range of methods is used across all of the service lines for the recognition of revenue based on the principles set out in IFRS 15. Revenue represents income recognised in respect of services provided during the period based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

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

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

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

Duration of contract

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

Contract modifications

Facilities Management's contracts are frequently amended for changes to customer requirements such as change orders and variations. A contract modification takes place when the amendment creates new enforceable rights and obligations or changes the existing price or scope (or both) of the contract, and the modification has been approved. Contract modifications can be approved in writing, by oral agreement, or implied by customary business practices.

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

Contract modifications are accounted for as a separate contract if the contract scope changes due to the addition of distinct goods or services and the change in contract price reflects the standalone selling price of the distinct goods or services. If the price of additional distinct goods or services is not commensurate with the standalone selling prices for those goods or services, then this is considered a termination of the original contract and the creation of a new contract which is accounted for prospectively from the date of modification. Where new goods or services are not distinct from those in the original contract, then these are considered to form part of the original contract with any update to pricing recognised as a cumulative catch up to revenue. The facts and circumstances of any modification are considered in isolation as these are specific to each contract and may result in different accounting outcomes.

Step 2 – Identify the performance obligations in the contract

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

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

Step 3 – Determine the transaction price

At contract inception, the total transaction price is determined, being the amount to which Facilities Management expects to be entitled and has rights under the contract. This includes the fixed price stated in the contract and an assessment of any variable consideration, up or down. Variable consideration typically arises from non-performance deductions on services with a fixed monthly fee. Variable consideration is typically estimated based on the expected value method and is only recognised to the extent it is highly probable that a subsequent change in its estimate would not result in a significant revenue reversal.

Step 4 – Allocate the transaction price to the performance obligations in the contract

Facilities Management allocates the total transaction price to the identified performance obligations based on their relative stand-alone selling prices. This is predominantly based on an observable price or a cost-plus margin arrangement.

Step 5 – Recognise revenue when or as the entity satisfies its performance obligations

For each performance obligation, Facilities Management determines if revenue will be recognised over time or at a point in time. Where revenue is recognised over time, Facilities Management applies the relevant output or input revenue recognition method for measuring progress that depicts Facilities Management's performance in transferring control of the goods or services to the customer.

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

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

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

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

Other topics

Long-term complex contracts

Facilities Management has a number of long-term complex contracts which are predominantly integrated facilities management arrangements. Typically, these contracts involve the provision of multiple service lines, with a single management team providing an integrated service. Such contracts tend to be transformational in nature where the business works with the customer to identify and implement cost saving initiatives across the life of the contract.

Facilities Management considers the majority of services provided within integrated facilities management contracts meet the definition of a series of distinct goods or services that are substantially the same and have the same pattern of transfer over time. The series constitutes services provided in distinct time increments (e.g. monthly or quarterly) and therefore Facilities Management treats the series of such services as one performance obligation.

Facilities Management also delivers major project-based services under long-term complex contracts that include performance obligations under which revenue is recognised over time as value from the service is transferred to the customer. This may be where Facilities Management has a legally enforceable right to remuneration for the work completed to date, and therefore revenue will be recognised in line with the associated transfer of control.

Facilities Management has a number of long-term PFI lifecycle contracts to maintain properties over periods of up to 30 years. A fund is established at the start of the contract and amounts are drawn down by Facilities Management as maintenance work is performed. Facilities Management is also entitled to share in any surplus left in the fund. Revenue is recognised over time to reflect the rendering of the service including an assessment of the appropriate proportion of the likely surplus in the fund, subject to it being highly probable not to reverse. The amount of surplus available is dependent on the rate of wear and tear of the assets, which is substantially outside the control of Facilities Management and the customer. As such Facilities Management does not deem there to be a significant financing component.

Repeat service-based contracts (single and bundled contracts)

Facilities Management operates a number of single or joint-service line arrangements where repeat services meet the definition of a series of distinct services that are substantially the same (e.g. the provision of cleaning, security, catering, waste, and landscaping services). They have the same pattern of transfer of value to the customer as the series constitutes core services provided in distinct time increments (e.g. monthly or quarterly). Facilities Management therefore treats the series of such services as one performance obligation.

Short-term service-based arrangements

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

Principal versus agent

Where Facilities Management does not control the services provided prior to them being provided to the customer, then Facilities Management is acting as an agent (by arranging for the services to be provided by a third party), and in such arrangements only recognises the amounts of commission received or receivable.

Pre-contract costs

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

Contract fulfilment costs

Costs incurred to ensure that the project or programme has appropriate organisational, operational and technical infrastructures, and mechanisms in place to enable the delivery of full services under the contract target operating model, are defined as contract fulfilment costs. Only costs which meet all three of the criteria below are included within contract assets on the combined statement of financial position:

- the costs directly relate to the contract (e.g. direct labour, materials, subcontractors);
- Facilities Management is building an asset that will subsequently be used to deliver contract outcomes; and
- the costs are expected to be recoverable i.e. the contract is expected to be profitable after amortising the capitalised costs.

Contract fulfilment costs covered within the scope of another accounting standard, such as inventories, intangible assets, or property, plant and equipment are not capitalised as contract fulfilment assets but are treated in accordance with the other standard.

Amortisation and impairment of contract cost assets

Facilities Management amortises contract assets (pre-contract costs and contract fulfilment costs) on a systematic basis that is consistent with the entity's transfer of the related goods or services to the customer. The expense is recognised in the combined income statement in the period.

A capitalised pre-contract cost or contract fulfilment cost is derecognised either when it is disposed of or when no further economic benefits are expected to flow from its use.

Facilities Management is required to determine the recoverability of contract related assets at each reporting date. An impairment exists if the carrying amount of any asset exceeds the amount of consideration the entity expects to receive in exchange for providing the associated goods and services, less the remaining costs that relate directly to providing those goods and services under the relevant contract. In determining the estimated amount of consideration, Facilities Management uses the same principles as it does to determine the contract transaction price which includes estimates around variable consideration. An impairment is recognised immediately where such losses are forecast.

Accrued income and deferred income

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

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

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

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

2.2 *Foreign currency*

The reporting currency of Facilities Management is Sterling ("£"). The financial information of each of the entities is prepared in the functional currency applicable to that entity. Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are reported at the rates of exchange prevailing at that date. Non-monetary items are measured in terms of historical cost in a foreign currency and are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the combined income statement for the period.

For the purposes of this combined carve-out financial information, the assets and liabilities of Facilities Management's foreign operations, including goodwill and fair value adjustments arising on their acquisition, are translated into sterling at exchange rates prevailing at the reporting date. Income and expenses are translated into sterling at average exchange rates for the period. Exchange differences arising are recognised directly in equity in the translation reserve.

2.3 *Net finance costs*

Net finance costs consist of interest income and interest expense on loans due to and from Interserve respectively.

Interest income and interest expense are accounted for on an accruals basis in the combined income statement and are added to the carrying amount of the financial instrument to the extent they are not settled in the period in which they arise.

2.4 *Taxation*

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

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

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

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

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

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

2.5 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Interserve Group Limited (from 15 March 2019) and Interserve Plc (to 15 March 2019). Management information provided to the CODM is assessed based upon the Support Services division of Interserve as a whole and therefore only one reportable segment is identified.

2.6 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by Facilities Management in exchange for control of the acquiree. Acquisition costs are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair value at the acquisition date.

No business combinations have occurred during the years ended 31 December 2019, 2018 and 2017. Business combinations prior to 1 January 2017 have been accounted for in accordance with the accounting policies above. Residual goodwill and intangible assets have been recognised within this combined carve out financial information based upon the amounts recognised in Interserve's consolidated financial statements.

2.7 Joint arrangements and associates

Joint arrangements

A joint arrangement is an arrangement over which Facilities Management and one or more third parties have joint control. These joint arrangements are in turn classified as:

- Joint ventures whereby Facilities Management has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities; and
- Joint operations whereby Facilities Management has rights to the assets and obligations for the liabilities relating to the arrangement.

Associates

Associates are those entities in which Facilities Management has significant influence, but not control, over the financial and operating policies.

Application of the equity method to associates and joint ventures

Associates and joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. Facilities Management's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. This combined carve-out financial information includes Facilities Management's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When Facilities Management's share of losses exceeds its interest in an equity accounted investee, Facilities Management's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that Facilities Management has incurred legal or constructive obligations or made payments on behalf of an investee.

Joint operations

Facilities Management recognises its share of the assets, liabilities, revenue and expenses incurred jointly in relation to joint operations. Facilities Management's share of these assets, liabilities, revenue and expenses are included in the equivalent items for Facilities Management in this combined carve-out financial information and are accounted for in accordance with Facilities Management's accounting policies.

2.8 Goodwill

Goodwill represents the excess of the cost of acquisition over Facilities Management's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses. It is reviewed for impairment at least annually. Any impairment is recognised immediately in the combined income statement for the period and is not subsequently reversed.

2.9 Impairment of goodwill, intangible assets and property, plant and equipment

For the purpose of impairment testing, goodwill is allocated to each of Facilities Management's cash-generating units ('CGUs') expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the CGU, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the unit.

2.10 Other intangible assets

Operating software acquired as part of a related item of hardware is capitalised within property, plant and equipment along with the hardware acquired. Other software licences are capitalised, along with the cost to bring the software into use, within intangible assets.

Other intangible assets identified in a business acquisition are capitalised at fair value as at the date of acquisition.

Following initial recognition, other intangible assets are amortised over their useful economic lives on a straight-line basis as follows;

- Computer software – 5 years
- Customer relationships – 5-10 years

Other intangible assets are reviewed for impairment annually, or more frequently when there is an indication that they may be impaired. Amortisation expense is charged to administrative expenses in the combined income statement.

2.11 Property, plant and equipment

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

- Freehold land – Nil
- Freeholding buildings – 14-50 years
- Leasehold property – period of lease
- Plant and equipment – 2-10 years

Facilities Management reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, Facilities Management estimates the recoverable amount of the CGU to which the asset belongs.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs represent materials, direct labour and overheads incurred in bringing the inventories to their present condition and location. The cost of inventories is calculated using the weighted average method.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and estimated selling, marketing and distribution costs. Provision is made for obsolete, slow moving or defective items where appropriate.

2.13 Financial instruments

Prior to 1 January 2018

Prior to 1 January 2018, financial instruments were accounted for in accordance with IAS 39 *Financial Instruments*.

Trade receivables and amounts due from Interserve

Trade receivables and amounts due from Interserve are initially measured at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the combined income statement where there is objective evidence that the asset is impaired. Trade receivables and amounts due from Interserve are financial assets and are classified as loans and receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are financial assets and are classified as loans and receivables.

Overdrafts and amounts due to Interserve

Overdrafts and amounts due to Interserve are recorded at the proceeds received, net of direct issue costs. These borrowings are measured at amortised cost.

Trade payables

Trade payables are financial liabilities initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

Post 1 January 2018

Financial assets and financial liabilities are recognised on the combined statement of financial position when Facilities Management becomes a party to the contractual provisions of the instrument in accordance with IFRS 9. Facilities Management derecognises financial assets and liabilities only when the contractual rights and obligations are transferred, discharged or expire.

Financial assets

Financial assets comprise trade and other receivables (including amounts due from Interserve) and cash and cash equivalents.

Trade receivables are initially measured at transaction price, and subsequently at their amortised cost subject to any impairment in accordance with IFRS 9.

Trade and other receivables (including amounts due from Interserve) are recognised initially at the amount of consideration that is unconditional. Facilities Management holds these receivables with the objective of collecting contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The assessment of impairment of trade receivables is in accordance with IFRS 9. Facilities Management recognises a loss allowance for expected credit losses (ECL) on all receivable balances subsequently measured at amortised cost, using the 'simplified approach' permitted under IFRS 9.

Facilities Management recognises a loss allowance at an amount equal to the lifetime ECL for amounts due from Interserve, except where credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, in which case the loss allowance is measured as the 12-month ECL.

When determining whether the credit risk of amounts due from Interserve have increased significantly since initial recognition and when estimating the ECL, Facilities Management considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on Facilities Management's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Cash and cash equivalents comprise cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities comprise trade and other payables, bank overdrafts and amounts due to Interserve. These are measured at initial recognition at fair value and subsequently at amortised cost using the effective interest rate method.

Derivative financial instruments and hedge accounting

Facilities Management has not entered into any derivative financial instruments and has not applied hedge accounting in the periods covered by this combined carve-out financial information.

2.14 Leases

Prior to 1 January 2019

Prior to 1 January 2019, leases were accounted for in accordance with IAS 17 *Leases*.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the combined income statement.

Operating lease payments are recognised as an expense in the combined income statement on a straight-line basis over the lease term. Lease incentives received are recognised in the combined income statement as an integral part of the total lease expense.

Post 1 January 2019

From 1 January 2019, leases were accounted for in accordance with IFRS 16 *Leases*.

Facilities Management has various lease arrangements for properties (for example office buildings and storage facilities), vehicles, and other equipment including IT equipment and machinery. At inception of a lease contract, Facilities Management assesses whether the contract conveys the right to control the use of an identified asset for a certain period and whether it obtains substantially all the economic benefits from the use of that asset, in exchange for consideration. Facilities Management recognises a lease liability and a corresponding right-of-use asset with respect to all lease arrangements in which it is a lessee (other than for leases of low value assets or those with a lease term of less than 12 months).

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including any in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- the exercise price of any purchase option if the lessee is reasonably certain to exercise that option; and
- payment of penalties for exercising a termination option, if the lease term reflects Facilities Management exercising that option.

Lease payments are discounted using Facilities Management's incremental borrowing rate at lease inception. In determining the incremental borrowing rate;

- Facilities Management uses a matrix approach that begins with a country risk-free rate at differing maturities to reflect the lease term;
- rates are adjusted for liquidity risk and country risk;
- a credit risk spread is applied based on yields of comparable entities and independent valuations of Interserve debt; and
- where applicable, adjustments are made to factor in security type and currency.

A right-of-use asset is capitalised on the combined statement of financial position at cost which comprises the present value of future lease payments determined at the inception of the lease adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred in addition to an estimate of costs to remove or restore the underlying asset. Where a lease incentive is receivable, the amount is offset against the right-of-use asset at inception.

Right-of-use assets are depreciated using the straight-line method over the shorter of estimated life of the asset or the lease term and are reviewed for impairment to account for any loss when events or changes in circumstances indicate the carrying value may not be fully recoverable. Right-of-use assets and lease liabilities exclude low-value leases (defined as those where the asset has a value below £5,000) and short-term leases of 12 months or less, costs for which are recognised as an operating expense within the combined income statement as they are incurred.

The lease liability is initially measured as set out above and is subsequently increased by the associated interest cost (based on the incremental borrowing rate) and decreased by lease payments made. Lease payments made are apportioned between an interest charge and a capital repayment amount which are disclosed within the operating activities and financing activities sections of the combined statement of cash flows respectively. Lease liabilities are classified between current and non-current on the combined statement of financial position.

The lease term comprises the non-cancellable period in addition to the determination of the enforceable period which is covered by an option to extend the lease, where it is reasonably certain that an extension option will be exercised, and the period covered by the option to terminate the lease, where it is reasonably certain that the option to terminate will not be exercised. When assessing whether extension and termination options will be exercised, Facilities Management considers whether a more than 'insignificant penalty' would be incurred. This is considered with reference to the wider economics of the lease, including any investment in non-transferable leasehold improvements.

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

2.15 Provisions

Provisions are recognised when Facilities Management has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are recognised by Facilities Management in respect of onerous contracts, insurance claims, restructuring costs, property costs and end-of-service benefits.

Where it is expected some or all of a provision is to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the combined income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities are possible obligations dependent on whether some uncertain future event occurs, or where a present obligation exists but payment is not probable, or the amount of payment cannot be measured reliably. Disclosures are made for contingent liabilities.

Provisions for onerous contracts are calculated at the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil it.

Prior to the adoption of IFRS 16 on 1 January 2019, provisions for onerous leases are recognised when Facilities Management has committed to a course of action that will result in the property becoming vacant. On adoption of IFRS 16 on 1 January 2019, provisions for onerous leases have been de-recognised, with the associated right-of-use asset instead tested for impairment (subject to the practical expedients applied on transition, see note 4(iii)(a)).

2.16 Share-based payments

Interserve Plc operated several executive and employee share option schemes prior to Interserve Plc being placed into administration on 15 March 2019. All share-based incentive schemes lapsed on that date.

Prior to 15 March 2019, Interserve measured equity-settled share-based payments to employees at the fair value of the equity instruments at the grant date. The fair value excluded the effect of non-market based vesting conditions. For grants of share options and awards, the fair value as at the date of grant was calculated using the Black-Scholes model, Monte Carlo model or the share price at grant date, and the corresponding expense was recognised on a straight-line basis over the vesting period based on the estimate of shares that will eventually vest. Interserve recharged the costs of the share-based payment schemes to the relevant entities in the Interserve Group based on the individuals employed by each entity and the fair value of the equity instruments at grant date.

Given the re-charge arrangements in place, Facilities Management has treated the share-based payments as a cash-settled scheme in this combined carve-out financial information and has therefore recognised the costs directly in the combined income statement within administrative expenses; and an associated liability due to Interserve.

2.17 Retirement benefit costs

Facilities Management operates several defined contribution retirement benefit schemes for the benefit of permanent members of staff. Payments to the defined contribution pension schemes are charged as an expense as they fall due.

In addition, Facilities Management operates and participates in several defined benefit schemes, multi-employer schemes and Admitted Body schemes, the details of which are shown in note 24.

Contributions made by Facilities Management to Admitted Body schemes are recognised as an expense as they fall due. These contributions relate to certain employees who transferred to Facilities Management under TUPE. Facilities Management accounts for its legal and constructive obligations over the period of its participation which is for a fixed period only.

Contributions made by Facilities Management to multi-employer schemes are recognised as an expense as they fall due.

Certain entities within Facilities Management participate in the Interserve Pension Scheme, Part A; which is recognised in the consolidated financial statements of Interserve. For the purposes of this combined carve-out financial information, Part A of this scheme is a defined benefit plan that shares risks between entities under common control. As the sponsoring employer of Part A of this scheme is part of Interserve (rather than part of Facilities Management), contributions by Facilities Management to Part A of this scheme are recognised as an expense in the combined income statement as they fall due.

Facilities Management also participates in four other defined benefit pension schemes – MacLellan Pension Scheme, THK Insulation Pension Scheme, Tyne & Wear Pension Scheme and Berkshire Pension Scheme. These four pension schemes have been valued for the purposes of IAS 19 *Employee Benefits*. Actuarial gains and losses are recognised in full in the period in which they occur. As permitted by IAS 19, actuarial gains and losses are recognised outside the combined income statement and presented in other comprehensive income. The liability recognised in the combined statement of financial position represents the present value of the various defined benefit obligations, as reduced by the fair value of plan assets. The cost of providing benefits is determined using the projected unit credit method. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan in accordance with IFRIC 14 *IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction*.

Defined benefit pension costs (including curtailments) are recognised in the combined income statement, in administrative expenses, whilst the net interest cost is recognised in finance costs.

2.18 *Adoption of new IFRSs and effective date*

The following new standards and amendments issued during the periods included within this combined carve-out financial information have been adopted in accordance with the effective date prescribed. No material impacts were identified from the adoption of each of the standards other than IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* as detailed in note 4.

Effective from 1 January 2017

- Amendments to IAS 12 *Income Taxes*
- Amendments to IAS7 *Statement of Cash Flows*
- Annual Improvements to IFRSs – 2014-2016 Cycle (in relation to IFRS 12)

Effective from 1 January 2018

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*
- Amendments to IFRS 2 *Share Based Payments*
- Amendments to IFRS 4 *Insurance Contracts*
- Annual Improvements to IFRSs – 2014-2016 Cycle (in relation to IFRS 1 and IAS 28)
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- Amendments to IAS 40 *Investment Property*

Effective from 1 January 2019

- IFRS 16 *Leases*
- IFRIC 23 *Uncertainty over Income Tax treatments*

- Amendments to IFRS 9 *Financial Instruments*
- Amendments to IAS 28 *Long term Interests in Associates and Joint Ventures*
- Annual Improvements to IFRSs – 2015-2017 Cycle
- Amendments to IAS 19 *Employee Benefits*

2.19 Accounting standards that are not yet mandatory and have not been applied

None of the new standards and amendments that are not yet effective are expected to have a material effect. This includes the following;

- Amendment to IFRS 3 *Business Combinations*. Endorsed by the EU.
- Amendments to IAS 1 and IAS 8. Endorsed by the EU.
- Amendments to IFRS 7, IFRS 9 and IAS 39. Endorsed by the EU
- Amendments to References to the Conceptual Framework in IFRS Standards. Endorsed by the EU.
- Amendments to IFRS 16 *Leases.* Not yet endorsed by the EU.
- Amendments to IAS 1 *Presentation of Financial Statements.* Not yet endorsed by the EU.
- IFRS 17 *Insurance Contracts.* Not yet endorsed by the EU.

3 Accounting estimates and judgements

In the preparation of this combined carve-out financial information, certain judgements and estimates have been made that impact the combined carve-out financial information. While these judgements and estimates are continually reviewed the facts and circumstances underlying them may change and that could impact the results of Facilities Management. Each judgement identified below also includes, where relevant, an assessment of the key sources of estimation uncertainty. In particular:

(i) Measurement of goodwill and intangible assets

As set out in note 12, the carrying value of goodwill and intangible assets is reviewed for impairment at least annually. In determining whether goodwill is impaired an estimation of the value in use of the cash-generating unit ('CGU') to which the goodwill has been allocated is required. This calculation of value in use requires estimates to be made relating to the timing and amount of future cash flows expected from the CGU, and suitable discount rates based on Facilities Management's weighted average cost of capital adjusted to reflect the specific economic environment of the relevant CGU. Further details of the estimates made, and the sensitivity to these estimates, is disclosed in note 12.

(ii) Retirement benefit obligations

In accordance with IAS 19 *Employee Benefits*, Facilities Management has disclosed in note 24 the assumptions used in calculating the defined benefit obligations. In the calculation a number of assumptions around future salary increases, increase in pension benefits, mortality rates, inflation and discount rates have been made. Small changes in these assumptions can lead to significant changes to the overall scheme liabilities, as disclosed in note 24.

(iii) Revenue recognition

Facilities Management's revenue recognition policies, which are set out in note 2.1, are central to how Facilities Management measures the work it has performed in each period.

For certain contracts, key judgements were made concerning contract extensions and amendments which, for example, directly impact the timing of revenue recognition in addition to the phasing of upfront payments to or from customers which are deferred to the combined statement of financial position and unwound over the expected contract term. Facilities 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.

(iv) Other items presentation

IAS 1 *Presentation of Financial Statements* requires material items to be disclosed separately in a way that enables users to assess the quality of Facilities Management's profitability. In practice, these are commonly referred to as 'other items', but this is not a concept defined by IFRS and therefore there is a level of judgement involved in determining what to include in profit before other items. Facilities Management considers items which relate to non-recurring events and are significant in size or in nature to be suitable for separate presentation (see note 7).

(v) Provisions

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* requires a provision to be recognised when Facilities Management has a present obligation as a result of a past event, it is probable that an outflow of economics benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Specifically, IAS 37 requires that where an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Facilities Management was involved in providing facilities management and other services to the US Forces Prime via a contract with the UK Ministry of Defence. This contract was loss-making, and as part of the contract review carried out in 2017 (see note 7), a significant onerous contract provision was recognised. The measurement of the potential future liability was complicated, with negotiations underway in early 2018 to de-scope certain services and contractual claims by Facilities Management were also underway. The onerous contract provision recognised was based on the most likely final outcome, within a wide range of potential outcomes. The negotiations in relation to this contract were resolved in 2018, and the US Forces Prime contract ended in 2019. Further details on this contract, which is disclosed as non-underlying, are shown in notes 7 and 23.

Facilities Management also recognises restructuring provisions in accordance with IAS 37, however, given the nature of these provisions, they are not considered to give rise to a significant judgement or key source of estimation uncertainty.

(vi) Leases

On adoption from 1 January 2019, IFRS 16 *Leases* requires Facilities Management to make certain critical judgments, for example whether or not it is reasonably certain that a lease extension or termination option will be exercised and to identify the appropriate discount rate for use in the calculation of the present value of future lease payments. Facilities Management's key judgements and estimates include the following:

Lease liabilities and right-of-use assets – extension and termination options

In determining whether to exercise an extension or termination option Facilities Management applies judgement based on the business requirement for the leased asset and the cost-efficiency in extending or terminating the lease. In addition, Facilities Management considers all factors that create an economic incentive to exercise an extension option or not to exercise a termination option. The most cost effective or economically beneficial option is then taken. For example, if Facilities Management exits commercial contracts or disposes of a highly specialist business, the associated leased vehicles will often become 'surplus to demand'. Facilities Management would then assess whether it is most cost effective to exercise an early termination of the lease, paying a termination fee; or to retain the vehicle until the end of the lease. The assessment is reviewed if a significant change or event occurs thereafter which warrants a reassessment.

Discount rates applied to leases

The present value of lease payments is calculated using each legal entity's incremental borrowing rate ('IBR') at the date of initial application. In determining the incremental borrowing rate to be used, Facilities Management considers the economic environment of the country in which the lease is held by applying a risk-free rate corresponding to the lease term. This rate is adjusted for liquidity risk and Facilities Management's credit risk. Facilities Management's credit risk was determined using an S&P credit rating methodology and a synthetic credit rating was derived of B+ at 31 December 2018 and BB at 15 March 2019 (the date on which Interserve Plc was placed into administration). These ratings were then used to derive the associated yields on the issued debt and enabled the calculation of a credit spread being the difference between the yield on a B+ or BB rated bond and a Government bond with zero risk. This spread was then adjusted with reference to an independent valuation of the yield on debt with a three-year term issued by Interserve in March 2019. The appropriate IBR was considered for each of Facilities Management's main lease categories of property, vehicles and plant and machinery, the weighted average of which amounted to 5.2% at the date of transition to IFRS 16. The occurrence in the future of a significant economic or financial event will trigger Facilities Management to reassess its incremental borrowing rate for new leases entered into at that time.

(vii) Allocation of indirect central costs

As set out in note 1.5 and note 30, this combined carve-out financial information includes the allocation of various central costs incurred by Interserve, which requires the use of estimates, primarily in selecting the most appropriate method of allocation of these costs to Facilities Management. These costs are allocated on the basis of either head count numbers (for human resources costs), numbers of members in defined benefit pension schemes (for pension related costs), and revenue (for all other costs) attributable to Facilities Management, in proportion to the Interserve Group.

The allocation of Interserve corporate central costs in this combined carve-out financial information is £11.0 million *(31 December 2018: £11.0 million; 31 December 2017: £12.6 million)*, which is a net allocation of the total Interserve corporate central costs of 53% *(31 December 2018: 51%; 31 December 2017: 43%).*

These costs were affected by the arrangements that existed in the Interserve Group and are not necessarily representative of the position that will prevail in the future, and as such have been classified as non-recurring items (note 7).

(viii) Joint ventures

Facilities Management owns 51% of the ordinary share capital of Landmarc Support Services Limited ('Landmarc UK'), with a third party, PAE Incorporated ('PAE'), owning the remaining 49%. The terms of the shareholders agreement between Facilities Management and PAE requires that there is equal representation between the two parties on Landmarc UK's board of directors, and states that decisions over certain reserved matters require agreement of both shareholders (either through their representatives on the board of directors, or on a shareholders vote).

Facilities Management has assessed the share ownership structure and the specific terms of the shareholders agreement with PAE to determine whether it has control, or joint control, over Landmarc UK in accordance with IFRS 10 *Consolidated Financial Statements* and IFRS 11 *Joint Arrangements* respectively. This assessment by Facilities Management involves significant judgement.

Facilities Management has concluded that it has joint control over Landmarc UK with PAE, and therefore Landmarc UK is classified as a joint venture (note 16).

4 Change in significant accounting policies

(i) IFRS 9 Financial Instruments

Facilities Management has adopted IFRS 9 *Financial Instruments* from 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement*. The nature and effects of the key changes to Facilities Management's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ('FVOCI') and fair value through profit and loss ('FVTPL'). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. For an explanation of how Facilities Management classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see the accounting policy in note 2.13.

Facilities Management's financial assets were previously classified as 'loans and receivables' under IAS 39. On transition to IFRS 9, all financial assets are classified as 'held at amortised cost' (see note 26).

The adoption of IFRS 9 has not had a significant effect on Facilities Management's accounting policies for financial liabilities.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated for retrospective application. Accordingly, the information presented for the year ended 31 December 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for the years ended 31 December 2019 and 31 December 2018 under IFRS 9.
- The assessment of the determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.

There has been no material impact on Facilities Management's financial position or financial performance from the adoption of IFRS 9 *Financial Instruments* from 1 January 2018.

(ii) IFRS 15 Revenue from Contracts with Customers

Facilities Management has adopted IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018. IFRS 15 introduced a single, principles based, five-step model to be applied to all customer contracts. It is based on the transfer of control of goods and services to customers and replaces the separate models for goods, services and construction contracts.

Facilities Management's accounting policy for revenue recognition is set out in note 2.1.

Facilities Management has applied IFRS 15 using the cumulative effect method. Therefore, the information presented for the year ended 31 December 2017 has not been restated and continues to be reported under IAS 18 *Revenue* and IAS 11 *Construction Contracts*; and therefore, is not comparable to the information presented for the years ended 31 December 2019 and 31 December 2018 under IFRS 15.

Facilities Management identified one difference as a result of implementing IFRS 15. Under IAS 18, two procurement contracts were recognised with Facilities Management being a principal in the arrangement (on the basis that Facilities Management was exposed to credit risk). On review of the contracts under IFRS 15, it was determined that Facilities Management is an agent on the basis that the supplier is primarily responsible for fulfilling the promise to provide the goods to the customer, Facilities Management does not take inventory risk at any time before or after the goods are transferred to the customer, and Facilities Management does not have discretion in establishing prices for the supplier's goods.

The impact of the adoption of IFRS 15 on Facilities Management's combined income statement for the year ended 31 December 2018 is shown below. There is no impact on total operating profit/(loss), profit/(loss) before tax or profit/(loss) for the year. There is also no impact on Facilities Management's other primary financial statements.

	Year ended 31 December 2018		
	Prior to adoption of IFRS 15	IFRS 15 adjustment	As reported
		£million	
Revenue	1,374.2	(10.0)	1,364.2
Cost of sales	(1,279.8)	10.0	(1,269.8)
Gross profit	94.4	—	94.4

(iii) IFRS 16 Leases

Facilities Management has applied IFRS 16 *Leases* from 1 January 2019. IFRS 16 replaces IAS 17 *Leases* along with three Interpretations (IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*).

Facilities Management has applied IFRS 16 using the modified retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of invested equity at 1 January 2019. The information for the years ended 31 December 2018 and 31 December 2017 has not been restated and continues to be reported under IAS 17 and therefore is not comparable to the information presented for the year ended 31 December 2019 under IFRS 16. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information. The details of the significant changes and quantitative impact of the changes are set out below.

The adoption of IFRS 16 has resulted in Facilities Management recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

For contracts in place at the date of initial application, Facilities Management has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as a lease under IAS 17 and IFRIC 4.

a) Leases as a lessee

Facilities Management previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to Facilities Management. Only finance leases were then recognised on the combined statement of financial position.

Under IFRS 16, Facilities Management recognises right-of-use assets and lease liabilities for most of these leases on the combined statement of financial position.

Leases classified as operating leases under IAS 17

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at each legal entity's incremental borrowing rate as at 1 January 2019.

Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. Facilities Management has adjusted the right-of-use asset at the date of transition by the amount of provision in respect of onerous leases recognised at 31 December 2018.

Facilities Management used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, Facilities Management:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;

- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term; and
- applied IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to assess whether leases are onerous as an alternative to performing an impairment review.

Leases classified as finance leases under IAS 17

For leases previously classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined as the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

b) Quantitative impact of adoption of IFRS 16

The following table summarises the quantitative impact of adopting IFRS 16 on this combined carve-out financial information as at the date of initial application of 1 January 2019.

	At 31 December 2018	**IFRS 16 opening balance adjustment**	**At 1 January 2019**
		£million	
Non-current assets			
Property, plant and equipment	11.8	32.1	43.9
Other non-current assets	564.1	—	564.1
	575.9	**32.1**	**608.0**
Current assets	**484.2**	**—**	**484.2**
Current liabilities			
Financing liabilities	(165.9)	(11.7)	(177.6)
Other current liabilities	(262.9)	—	(262.9)
	(428.8)	**(11.7)**	**(440.5)**
Non-current liabilities			
Financing liabilities	(392.3)	(19.6)	(411.9)
Provisions	(3.1)	(0.8)	(3.9)
Other non-current liabilities	(32.5)	—	(32.5)
	(427.9)	**(20.4)**	**(448.3)**
Net assets	**203.4**	**—**	**203.4**

When measuring the lease liabilities for leases that were previously classified as operating leases in accordance with IAS 17, Facilities Management discounted the lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied was 5.2%.

The following table summarises the difference between the operating lease commitments disclosed under IAS 17 at 31 December 2018 and the lease liabilities recognised at 1 January 2019:

	£million
Operating lease commitments at 31 December 2018 as disclosed under IAS 17	**40.4**
Recognition exemption for leases with less than 12 months of lease term at transition	(0.5)
Change in lease term assessment	(0.6)
Discounted using the incremental borrowing rate at 1 January 2019	(8.0)
Finance lease liabilities recognised at 31 December 2018	4.9
Lease liabilities recognised as at 1 January 2019	**36.2**

5 Revenue

Disaggregation of revenue from contract with customers

Facilities Management's combined revenue has been disaggregated by service line, primary geographical market and pattern of revenue recognition.

Facilities Management's combined revenue disaggregated by service line is as follows:

	Year ended 31 December 2019	**Year ended 31 December 2018**	**Year ended 31 December 2017**
		£million	
Central Government and Defence	510.0	495.4	439.5
Business and Industry	458.8	548.1	586.9
Communities	286.7	296.8	330.9
Service Operations	23.0	23.9	27.5
	1,278.5	**1,364.2**	**1,384.8**

Facilities Management's combined revenue disaggregated by primary geographical markets is as follows:

	Year ended 31 December 2019	**Year ended 31 December 2018**	**Year ended 31 December 2017**
		£million	
United Kingdom	1,202.9	1,288.8	1,320.6
Rest of Europe	74.1	71.7	59.0
Middle East & Africa	1.5	3.7	5.2
	1,278.5	**1,364.2**	**1,384.8**

Facilities Management's combined revenue disaggregated by pattern of revenue recognition is as follows:

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
		£million	
Single service with fixed monthly fee subject to non-performance deductions	308.3	362.3	402.1
Bundled services with fixed monthly fee subject to non-performance deductions	927.0	955.2	939.7
Goods and services transferred over time	**1,235.3**	**1,317.5**	**1,341.8**
Service at schedule of rates (hours or tasks)	43.2	46.7	43.0
Goods and services transferred at a point in time	**43.2**	**46.7**	**43.0**
Total revenue	**1,278.5**	**1,364.2**	**1,384.8**

The contracts included within 'other items' as a result of the contract review (see note 7, primarily the US Forces Prime contract), which generated revenue of £46.5 million *(31 December 2018: £46.1 million; 31 December 2017: £35.9 million)* are included within the Central Government and Defence service line, are located in the United Kingdom, and the pattern of revenue recognition is 'bundled services with fixed monthly fee subject to non-performance deductions'.

6 Accrued income and deferred income

Accrued income

Accrued income relates to the portion of performance obligations already fulfilled by Facilities Management for which the definitive right to receive cash is subject to completing further work under the relevant contracts. Accrued income is converted into trade receivables at the point that work delivered to the customer is invoiced, resulting in Facilities Management's unconditional right to receive cash. Accrued income therefore represents a portion of future payments receivable by Facilities Management under existing contracts.

At 31 December 2019, accrued income (including retentions) amounted to £84.1 million *(31 December 2018: £97.2 million; 1 January 2018: £96.0 million)*. The year on year decreases/(increases) are largely due to Facilities Management providing fewer/more services ahead of the agreed payment schedules for fixed-price contracts.

The following table provides information about accrued income from contracts with customers for the years ended 31 December 2019 and 31 December 2018. No disclosure is provided for the year ended 31 December 2017 as IFRS 15 was adopted from 1 January 2018 using the cumulative effect method.

	31 December 2019 £million	Transaction with Interserve (note 1.1) £million	Business related changes £million	Exchange differences £million	31 December 2018 £million	Business related changes £million	1 January 2018 £million
Included within trade and other receivables (note 19)							
Retentions	1.0	0.9	0.1	—	—	(0.2)	0.2
Accrued income	83.1	—	(13.9)	(0.2)	97.2	1.4	95.8
	84.1	**0.9**	**(13.8)**	**(0.2)**	**97.2**	**1.2**	**96.0**

Business related changes reflect increases due to amounts recognised as revenue (as a result of the transfer of control of services to the customer) and decreases due to amounts for which Facilities Management has an unconditional right to consideration (which are transferred to trade receivables).

Deferred income

Deferred income consists mainly of cash advances received from customers on account of orders received and the remaining liabilities relate to the amount of performance obligations still to be fulfilled and for which payment has already been received from the customer.

At 31 December 2019, deferred income amounted to £45.0 million *(31 December 2018: £45.2 million; 1 January 2018: £42.4 million)*. The year on year (decrease)/increase is largely due to Facilities Management receiving (lower)/higher payments in advance from customers for equipment and services, including receipt of lifecycle funds on PFI contracts.

The following table provides information about deferred income for the years ended 31 December 2019 and 31 December 2018. No disclosure is provided for the year ended 31 December 2017 as IFRS 15 was adopted from 1 January 2018 using the cumulative effect method.

	31 December 2019 £million	**31 December 2018 £million**
Deferred income at 1 January	45.2	42.4
Revenue recognised that was included in deferred income at the beginning of the year	(15.2)	(17.4)
Increase due to cash received, excluding amounts recognised as revenue during the year	15.0	20.2
Deferred income at 31 December	45.0	45.2

Deferred income is shown in the combined statement of financial position as follows;

	31 December 2019 £million	**31 December 2018 £million**	**1 January 2018 £million**
Current	29.3	25.6	22.7
Non-current	15.7	19.6	19.7
Total	**45.0**	**45.2**	**42.4**

7 Other items

	Year ended 31 December 2019						
	Restructuring costs	**Contract review**	**Asset impairments (note 13)**	**Non-recurring costs (notes 24 and 30)**	**Amortisation of acquired intangible assets (note 13)**	**Impairment of goodwill (note 12)**	**Total**
				£million			
Revenue	—	46.5	—	—	—	—	**46.5**
Cost of sales	(3.0)	(43.9)	—	—	—	—	**(46.9)**
Gross profit/(loss)	**(3.0)**	**2.6**	**—**	**—**	**—**	**—**	**(0.4)**
Administrative expenses	(2.4)	—	—	(19.4)	(2.8)	(36.8)	**(61.4)**
Profit/(loss) before tax	**(5.4)**	**2.6**	**—**	**(19.4)**	**(2.8)**	**(36.8)**	**(61.8)**
Taxation	1.0	(0.5)	—	3.7	0.5	—	**4.7**
Profit/(loss) for the year	**(4.4)**	**2.1**	**—**	**(15.7)**	**(2.3)**	**(36.8)**	**(57.1)**

	Year ended 31 December 2018						
	Restructuring costs	**Contract review**	**Asset impairments (note 13)**	**Non-recurring costs (notes 24 and 30)**	**Amortisation of acquired intangible assets (note 13)**	**Impairment of goodwill (note 12)**	**Total**
				£million			
Revenue	—	46.1	—	—	—	—	**46.1**
Cost of sales	—	(38.1)	—	—	—	—	**(38.1)**
Gross profit	**—**	**8.0**	**—**	**—**	**—**	**—**	**8.0**
Total administrative expenses	(9.4)	—	—	(17.8)	(13.6)	(38.5)	**(79.3)**
Profit/(loss) before tax	**(9.4)**	**8.0**	—	**(17.8)**	**(13.6)**	**(38.5)**	**(71.3)**
Taxation	1.8	(1.5)	—	3.4	2.3	—	**6.0**
Profit/(loss) for the year	**(7.6)**	**6.5**	—	**(14.4)**	**(11.3)**	**(38.5)**	**(65.3)**

	Year ended 31 December 2017						
	Restructuring costs	**Contract review**	**Asset impairments (note 13)**	**Non-recurring costs (notes 24 and 30)**	**Amortisation of acquired intangible assets (note 13)**	**Impairment of goodwill (note 12)**	**Total**
				£million			
Revenue	—	35.9	—	—	—	—	**35.9**
Cost of sales	(1.5)	(66.9)	—	—	—	—	**(68.4)**
Gross loss	**(1.5)**	**(31.0)**	—	—	—	—	**(32.5)**
Total administrative expenses	(5.2)	—	(6.3)	(19.1)	(14.9)	(16.5)	**(62.0)**
Loss before tax	**(6.7)**	**(31.0)**	**(6.3)**	**(19.1)**	**(14.9)**	**(16.5)**	**(94.5)**
Taxation	1.3	—	1.2	3.7	2.8	—	**9.0**
Loss for the year	**(5.4)**	**(31.0)**	**(5.1)**	**(15.4)**	**(12.1)**	**(16.5)**	**(85.5)**

Restructuring costs

During 2017, 2018 and 2019 Interserve embarked on a three-year plan, 'Fit For Growth', to increase Interserve's organisational efficiency, improve Interserve-wide procurement and ensure greater standardisation and simplification across the business. As a result of this, Facilities Management incurred termination costs in respect of former directors and employees, property rationalisation expenses and other business closure costs. Certain costs relating to the Fit For Growth plan (and other restructuring costs) are included within restructuring provisions at each of 31 December 2017, 31 December 2018 and 31 December 2019 (note 23).

Additionally, these restructuring costs include redundancy costs in 2017 as a result of a further redundancy exercise undertaken within Facilities Management, estimated section 75 termination payments as a result of exiting multi-employer pension schemes in 2017 (see notes 23 and 24), additional property rationalisation expenses in relation to the relocation to the Ingenuity House site in 2018 and 2019, and legal costs associated with amending customer contracts as a result of the pre-pack administration of Interserve plc in 2019.

Contract review

The Interserve management team commissioned a comprehensive contract review with the independent support of PwC in the latter part of 2017. The contract review identified provisions and write-downs relating to two individual contract issues within Facilities Management.

The largest of these contracts was the US Forces Prime contract, for which a loss of £29.4 million was recognised in 2017 (of which £21.4 million was recognised as a provision, see note 23). All amounts disclosed in 2018 and 2019 relate to the US Forces Prime contract. During 2018 a net release of £8.0 million of the provision was recognised on this contract following receipts from the UK Ministry of Defence in December 2018. This contract ended in 2019, with a remaining provision of £0.2 million at 31 December 2019.

This contract has been identified as a key source of estimation uncertainty, see note 3(v).

Asset impairments

Facilities Management recognised an impairment charge of £6.3 million in relation to capitalised IT development costs during 2017, as the associated programmes were cancelled with no future benefit expected to be derived from the work carried out to that date, see note 13.

Non-recurring costs

As set out in note 1.3, this combined carve-out financial information has been prepared in accordance with SIR 2000, and therefore, as set out in note 1.5, a number of other indirect central costs have been allocated to reflect that Facilities Management operated as part of the Interserve Group for the period. These costs are not expected to recur on an on-going basis following the Transaction, and as such, have been presented as non-recurring costs in this combined carve-out financial information. For the year ended 31 December 2019, this allocation amounted to £11.0 million *(2018: £11.0 million; 2017: £12.6 million)*.

Additionally, as set out in notes 2.17 and 24, for the purposes of this combined carve-out financial information, the Interserve Pension Scheme, Part A, is considered to be a defined benefit plan that shares risks between entities under common control, where the sponsoring employer is part of Interserve rather than part of Facilities Management. Therefore, contributions by Facilities Management to Part A of this scheme are recognised as an expense in the combined income statement as they fall due, following the accounting treatment for a defined contribution scheme.

Facilities Management has historically made deficit repair contributions to the Interserve Pension Scheme, Part A. These deficit repair contributions ceased in February 2020 as part of the further segregation of the scheme (see note 24). Therefore, these costs are not expected to recur following the Transaction, and as such, have been presented as non-recurring costs in this combined carve-out financial information. For the year ended 31 December 2019, the deficit repair contributions incurred by Facilities Management amounted to £8.4 million *(2018: £6.8 million; 2017: £6.5 million)*.

Amortisation of acquired intangible assets

The amortisation of acquired intangible assets has been recognised in 2017, 2018 and 2019 in respect of customer relationships recognised on historical acquisitions. Further details of the amortisation and assets are included in note 13.

Impairment of goodwill

Facilities Management recognised impairments to the carrying value of goodwill in 2017, 2018 and 2019. Further details of these impairments are provided in note 12.

8 Operating profit/(loss)

Operating profit/(loss) has been arrived after charging the following expenses/(income)

	Note	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
			£million	
Impairment of goodwill	*12*	36.8	38.5	16.5
Amortisation of acquired intangible assets	*13*	2.8	13.6	14.9
Amortisation of other intangible assets	*13*	5.5	6.0	1.6
Impairment of other intangible assets	*13*	—	—	6.3
Depreciation of property, plant and equipment (including right-of-use assets from 1 January 2019)	*14,15*	14.4	4.3	4.6
Loss/(gain) on disposal of property, plant and equipment		0.3	(0.1)	—
Loss on disposal of intangible assets		0.5	0.6	0.7
Lease expense in the combined income statement (from 1 January 2019)				
Low value, short term and variable lease expenses		18.4	—	—
Rentals under operating leases (prior to 1 January 2019)		—	33.4	28.0

9 Staff numbers and costs

The average number of persons employed by Facilities Management during the year (calculated on a full time equivalent basis) was as follows:

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
Number of employees	25,253	28,975	30,161

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
		£million	
Wages & salaries	547.3	615.8	617.0
Social security costs	54.9	59.0	57.4
Share-based payments (note 25)	—	0.4	0.3
Pension costs			
Contributions to defined contribution and other schemes	21.0	18.8	14.0
Contributions to Part A of the Interserve Pension Scheme accounted for as defined contribution scheme (note 24)	9.3	8.0	9.3
	632.5	702.0	698.0

Contributions to Part A of the Interserve Pension Scheme, accounted for as a defined contribution scheme, includes £8.4 million *(2018: £6.8 million; 2017: £6.5 million)* of deficit repair contributions to Part A, which are disclosed as 'other items' (see note 7).

10 Finance income and costs

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
		£million	
Finance income			
Interest income on loans to Interserve	7.1	9.0	9.9
Other interest	—	0.1	0.4
	7.1	**9.1**	**10.3**
Finance costs			
Interest expense on loans from Interserve	13.2	17.3	18.8
Interest expense on finance leases (prior to 1 January 2019)	—	0.3	—
Interest expense on lease liabilities (from 1 January 2019)	1.5	—	—
Other interest	0.1	0.1	0.5
Net interest on defined benefit pension scheme assets and liabilities (note 24)	0.3	0.3	0.4
	15.1	**18.0**	**19.7**

11 Taxation

Recognised in the combined income statement

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
		£million	
Current tax expense – UK	2.9	3.6	0.3
Current tax expense – overseas	2.9	1.9	2.7
Adjustments for prior years	(0.1)	(0.5)	(1.2)
Current tax expense	**5.7**	**5.0**	**1.8**
Deferred tax income	(1.9)	(2.9)	(4.2)
Adjustments for prior years	2.3	1.5	(0.7)
Deferred tax expense/(income)	**0.4**	**(1.4)**	**(4.9)**
Total tax expense/(income)	**6.1**	**3.6**	**(3.1)**

Total tax income of £4.7 million *(31 December 2018: £6.0 million; 31 December 2017: £9.0 million)* is the tax impact of 'other items' (see note 7).

Total tax expense recognised in other comprehensive income

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
		£million	
Remeasurement of defined benefit pension schemes	1.3	0.3	0.1

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate *(31 December 2018: 17%; 31 December 2017: 17%; 1 January 2017: 17%)*. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase Facilities Management's future current tax charge accordingly and increase the deferred tax asset by £1.3 million.

Reconciliation of effective tax rate

UK corporation tax is calculated at 19% *(31 December 2018: 19%; 31 December 2017: 19.25%)* of the taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total expense/(income) for the year can be reconciled to the loss per the combined income statement as follows:

	Year ended 31 December 2019	**Year ended 31 December 2018**	**Year ended 31 December 2017**
		£million	
Loss before tax for the year	(35.8)	(40.7)	(71.6)
Tax using the UK corporation tax rate of 19% *(2018: 19%; 2017: 19.25%)*	(6.8)	(7.7)	(13.8)
Reconciling tax charges for:			
Non-tax-deductible expenses	2.2	0.3	0.6
Impairment of goodwill	7.0	7.3	3.2
Carry forward of losses not recognised	3.4	3.6	9.9
Utilisation of losses not previously recognised	(0.5)	—	(0.7)
Tax effect of share of results of associates and joint ventures	(1.0)	(0.7)	(0.7)
Overseas tax rates	—	0.1	(0.3)
Impact of change in statutory tax rates	(0.4)	(0.3)	0.6
Prior year adjustments	2.2	1.0	(1.9)
Total tax expense/(income)	**6.1**	**3.6**	**(3.1)**

12 Goodwill

	31 December 2019	**31 December 2018**	**31 December 2017**
		£million	
Cost			
Balance at 1 January and 31 December	397.1	397.1	397.1
Accumulated impairment			
Balance at 1 January	115.0	76.5	60.0
Impairment charge for the year (note 7)	36.8	38.5	16.5
Balance at 31 December	151.8	115.0	76.5
Carrying amount			
Balance at 31 December	**245.3**	**282.1**	**320.6**

Goodwill impairment testing

Facilities Management tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. Facilities Management's goodwill is allocated to two CGUs, as follows;

	Private Sector CGU	Public Sector CGU	Total
		£million	
At 1 January 2017	**233.3**	**103.8**	**337.1**
Impairment charge for the year (note 7)	(16.5)	—	(16.5)
At 31 December 2017	**216.8**	**103.8**	**320.6**
Impairment charge for the year (note 7)	(38.5)	—	(38.5)
At 31 December 2018	**178.3**	**103.8**	**282.1**
Impairment charge for the year (note 7)	(36.8)	—	(36.8)
At 31 December 2019	**141.5**	**103.8**	**245.3**

Review of the carrying value of goodwill

Past acquisitions, principally Maclellan Facilities Management in 2006 and Initial Facilities in 2014, have focused on the delivery of support services to the private sector and performance in this sector has not been in line with previous projections. As part of its annual review of impairment, Facilities Management has updated its estimate of the recoverable amount of the CGU that relates to the delivery of support services to the private sector, which has resulted in an impairment of £36.8 million being recognised against goodwill in the Private Sector CGU *(2018: £38.5 million, 2017:£16.5 million).*

Private Sector CGU

Key assumptions

The key assumptions underpinning the calculations of the net present value of future cash flows in respect of the Private Sector CGU include:

- the calculations are based on a three-year plan, which consists of compound annual nominal revenue growth of 2.5% *(31 December 2018: 2.7%; 31 December 2017: 4.9%)* over the three-year plan period in line with the Board approved budgets and forecasts, based on prevailing market conditions and expert forecasts;
- an average operating margin of 3.3% *(31 December 2018: 2.3%; 31 December 2017: 2.7%)* after management charges;
- a terminal nominal growth rate of 2.0% *(31 December 2018: 2.0%; 31 December 2017: 2.0%; 1 January 2017: 2.5%)*, which does not exceed current market growth rates; and
- a pre-tax discount rate for the CGU of 11.0% *(31 December 2018: 11.8%; 31 December 2017: 10.3%; 1 January 2017: 8.4%)* which reflects current market assessments of the time value of money and has been adjusted for the risks specific to the market in which the CGU operates.

In reviewing the carrying value, the following factors have also been considered:

- macro pressures in the support services sector;
- a renewed focus on cost control; and
- management resource to deliver the budget.

The Private Sector CGU consists of the Business and Industry service line, and a portion of the Service Operations service line.

Sensitivity analysis

The value in use calculations are reliant on the accuracy of Facilities Management's forecasts and the assumptions that underly them as well as the discount rate and growth rates applied. Sensitivity analysis was performed on the forecasts to consider the impact of certain trading scenarios and changes in assumptions both individually and in combination.

The following reasonably possible changes in key assumptions, keeping other assumptions unchanged, could cause the carrying amount of the Private Sector CGU's goodwill to exceed its recoverable amount;

	31 December 2019	**31 December 2018**	**31 December 2017**
Discount rate			
Increase in the discount rate	2.0%	2.0%	2.0%
Further impairment of	£30.3 million	£30.0 million	£53.4 million
Terminal growth rate			
Decrease in terminal growth rate	1.0%	1.0%	1.0%
Further impairment of	£11.4 million	£10.2 million	£20.5 million
Compound annual nominal revenue growth over three-year plan			
Decrease in compound annual nominal revenue growth	1.0%	1.0%	1.0%
Further impairment of	£5.0 million	£4.9 million	£7.6 million
Average operating margin			
Decrease in average operating margin	1.0%	1.0%	1.0%
Further impairment of	£53.4 million	£64.6 million	£24.6 million

Public Sector CGU

Key assumptions

The key assumptions underpinning the calculations of the net present value of future cash flows in respect of the Public Sector CGU include:

- the calculations are based on a three-year plan, which consists of compound annual nominal growth of 1.8% *(31 December 2018: 11.4%; 31 December 2017: 2.3%)* over the three-year plan period in line with the Board approved budgets and forecasts, based on prevailing market conditions and expert forecasts;
- an average operating margin of 5.4% *(31 December 2018: 4.4%; 31 December 2017: 4.6%)* after management charges;
- a terminal nominal growth rate of 2.0% *(31 December 2018: 2.0%; 31 December 2017: 2.0%; 1 January 2017: 2.5%)*, which does not exceed current market growth rates; and
- a pre-tax discount rate for the CGU of 11.0% *(31 December 2018: 11.8%; 31 December 2017: 10.3%; 1 January 2017: 8.4%)* which reflects current market assessments of the time value of money and has been adjusted for the risks specific to the market in which the CGU operates.

In reviewing the carrying value, the following factors have also been considered:

- macro pressures in the support services sector;
- a renewed focus on cost control; and
- management resource to deliver the budget.

The Public Sector CGU consists of the Central Government and Defence and Communities service lines, and a portion of the Service Operations service line.

Sensitivity analysis

The value in use calculations are reliant on the accuracy of Facilities Management's forecasts and the assumptions that underly them as well as the discount rate and growth rates applied. Sensitivity analysis was performed on the forecasts to consider the impact of certain trading scenarios and changes in assumptions both individually and in combination. There are no reasonably possible changes in key assumptions which would cause the carrying amount of the Public Sector CGU's goodwill to exceed its recoverable amount.

13 Other intangible assets

	Computer software	Acquired intangible asset – customer relationships (note 7)	Total
		£million	
Cost			
Balance at 1 January 2017	38.9	129.3	168.2
Additions	7.7	—	7.7
Disposals	(6.4)	—	(6.4)
Balance at 31 December 2017	40.2	129.3	169.5
Additions	1.6	—	1.6
Disposals	(1.5)	—	(1.5)
Balance at 31 December 2018	40.3	129.3	169.6
Disposals	(0.6)	—	(0.6)
Balance at 31 December 2019	**39.7**	**129.3**	**169.0**
Amortisation and impairment			
Balance at 1 January 2017	13.9	97.9	111.8
Amortisation charge for the year	1.6	14.9	16.5
Impairment charge (note 7)	6.3	—	6.3
Disposals	(5.7)	—	(5.7)
Balance at 31 December 2017	16.1	112.8	128.9
Amortisation charge for the year	6.0	13.6	19.6
Disposals	(0.9)	—	(0.9)
Balance at 31 December 2018	21.2	126.4	147.6
Amortisation charge for the year	5.5	2.8	8.3
Disposals	(0.1)	—	(0.1)
Balance at 31 December 2019	**26.6**	**129.2**	**155.8**
Carrying amount			
At 31 December 2019	**13.1**	**0.1**	**13.2**
At 31 December 2018	19.1	2.9	22.0
At 31 December 2017	24.1	16.5	40.6
At 1 January 2017	25.0	31.4	56.4

14 Property, plant and equipment

Property, plant and equipment comprises of owned and leased assets, as follows.

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
		£million		
Net book value				
Owned assets	4.7	6.3	9.0	9.1
Assets leased under finance leases (prior to 1 January 2019)	—	5.5	0.3	—
	4.7	**11.8**	**9.3**	**9.1**
Right-of-use assets arising from IFRS 16 (from 1 January 2019)	26.4	—	—	—
	31.1	**11.8**	**9.3**	**9.1**

The table below relates to both owned property, plant and equipment, and assets held under finance leases prior to the adoption of IFRS 16 *Leases* on 1 January 2019. A reconciliation of the right-of-use assets for leased assets from 1 January 2019 is shown in note 15.

	Freehold properties	**Leasehold properties**	**Other plant and equipment**	**Total**
		£million		
Cost				
Balance at 1 January 2017	0.4	2.6	52.9	55.9
Additions	—	—	5.1	5.1
Disposals	—	—	(0.8)	(0.8)
Effect of movements in foreign exchange	—	—	0.1	0.1
Balance at 31 December 2017	0.4	2.6	57.3	60.3
Additions	0.2	—	7.3	7.5
Disposals	—	(0.1)	(5.3)	(5.4)
Effect of movements in foreign exchange	—	—	0.2	0.2
Balance at 31 December 2018	0.6	2.5	59.5	62.6
Transfer to right-of-use assets on adoption of IFRS 16 (note 4(iii)(b))			(6.0)	(6.0)
Additions	—	—	1.3	1.3
Disposals	—	—	(2.8)	(2.8)
Effect of movements in foreign exchange	—	—	(0.2)	(0.2)
Balance at 31 December 2019	**0.6**	**2.5**	**51.8**	**54.9**
Depreciation and impairment				
Balance at 1 January 2017	0.1	2.4	44.3	46.8
Depreciation charge for the year	—	0.1	4.5	4.6
Disposals	—	—	(0.5)	(0.5)
Effect of movements in foreign exchange	—	—	0.1	0.1
Balance at 31 December 2017	0.1	2.5	48.4	51.0
Depreciation charge for the year	0.1	—	4.2	4.3
Disposals	—	—	(4.5)	(4.5)
Balance at 31 December 2018	0.2	2.5	48.1	50.8
Transfer to right-of-use assets on adoption of IFRS 16 (note 4(iii)(b))			(0.5)	(0.5)
Depreciation charge for the year	—	—	2.6	2.6
Disposals	—	—	(2.5)	(2.5)
Effect of movements in foreign exchange	—	—	(0.2)	(0.2)
Balance at 31 December 2019	**0.2**	**2.5**	**47.5**	**50.2**
Net book value				
At 31 December 2019	**0.4**	**—**	**4.3**	**4.7**
At 31 December 2018	0.4	—	11.4	11.8
At 31 December 2017	0.3	0.1	8.9	9.3
At 1 January 2017	0.3	0.2	8.6	9.1

Included within the depreciation charge for the year is an amount of £1.1 million *(31 December 2018: £0.9 million; 31 December 2017: £nil)* related to the US Forces Prime contract, which is presented within 'other items' (note 7).

15 Right-of-use assets

	Properties	Other plant and equipment	Total
		£million	
Cost			
Recognised at 1 January 2019 on adoption of IFRS 16 (note 4(iii)(b))	7.6	30.5	38.1
Additions	2.0	0.3	2.3
Disposals	(1.4)	(0.5)	(1.9)
Effect of movements in foreign exchange	—	(0.3)	(0.3)
Balance at 31 December 2019	**8.2**	**30.0**	**38.2**
Depreciation and impairment			
Recognised at 1 January 2019 on adoption of IFRS 16 (note 4(iii)(b))	—	0.5	0.5
Depreciation charge for the year	2.3	9.5	11.8
Disposals	(0.2)	(0.3)	(0.5)
Balance at 31 December 2019	**2.1**	**9.7**	**11.8**
Net book value			
At 31 December 2019	**6.1**	**20.3**	**26.4**
Recognised at 1 January 2019 on adoption of IFRS 16 (note 4(iii)(b))	7.6	30.0	37.6

Included within the amount recognised at 1 January 2019 on adoption of IFRS 16 is £5.5 million of assets that were previously classified as finance leases in accordance with IAS 17 *Leases* and hence recognised within property, plant and equipment (see note 15). Similarly, included within the depreciation charge for the year of £11.8 million is an amount of £0.5 million related to these former finance leases. Therefore, the increased depreciation charge as a result of the adoption of IFRS 16 is £11.3 million.

16 Investments in associates and joint arrangements

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
		£million		
Joint venture – Landmarc Support Services Limited	11.0	8.6	8.9	5.0
Carrying amount of individually immaterial joint ventures (Interserve Rezayat Company LLC and Pride (SERP) Limited)	0.1	0.1	0.1	—
Carrying amount of individually immaterial associates (Sussex Estates & Facilities LLP)	0.2	0.3	0.3	0.9
	11.3	9.0	9.3	5.9

There are no significant restrictions on the ability of joint ventures or associates to pay dividends or repay loans if agreed by the shareholders. At 31 December 2019, Facilities Management had no commitments for additional investments in joint-ventures or associates *(31 December 2018: £nil; 31 December 2017: £nil; 1 January 2017: £nil).*

'Landmarc Support Services Limited (including Landmarc Gulf Consultancy Management LLC) (together 'Landmarc')

Facilities Management owns 51% of the ordinary share capital of Landmarc Support Services Limited ('Landmarc UK'), with a third party, PAE Incorporated ('PAE'), owning the remaining 49%. The terms of the shareholders agreement between Facilities Management and PAE requires that there is equal representation between the two parties on Landmarc UK's board of directors, and states that decisions over certain reserved matters require agreement of both shareholders (either through their representatives on the board of directors, or on a shareholders vote). Facilities Management considers that the terms of this shareholders agreement gives the two parties joint control, such that Landmarc UK is recognised as a joint venture in this combined carve-out financial information.

Landmarc UK owns 49% of the ordinary share capital of Landmarc Gulf Consultancy Management LLC ('Landmarc Gulf'), incorporated in Abu Dhabi, with a local partner owning the remaining 51%. Landmarc UK has the right to appoint the majority of the directors of Landmarc Gulf by virtue of provisions contained in its Memorandum of Association, and as such Landmarc Gulf is considered to be a subsidiary of Landmarc UK, with a 51% minority interest.

The results of Facilities Management's joint venture in Landmarc UK (including Landmarc Gulf) are as follows:

	Year ended 31 December 2019	**Year ended 31 December 2018**	**Year ended 31 December 2017**
		£million	
Revenues	132.7	104.3	89.6
Operating profit (including depreciation of £0.7 million *(2018: £0.5 million; 2017: £1.1 million))*	10.6	8.1	7.2
Finance income	0.5	0.2	0.1
Taxation	(2.1)	(1.8)	(1.4)
Profit after tax	9.0	6.5	5.9
Less: profit after tax attributable to non-Facilities Management interests	(4.4)	(3.2)	(2.9)
Contribution to Facilities Management total operating profits	**4.6**	**3.3**	**3.0**
Other comprehensive income (including taxation charge of £0.2 million *(2018: £0.1 million; 2017: £0.4 million))*	1.0	0.6	1.7
Less: other comprehensive income attributable to non-Facilities Management interests	(0.5)	(0.3)	(0.8)
Contribution to Facilities Management other comprehensive income	**0.5**	**0.3**	**0.9**

Landmarc UK is the sole employer of the Landmarc Pension Scheme, a defined benefit pension scheme, which is a segregated section, Part B, of the Interserve Pension Scheme.

Facilities Management has determined that the sponsoring employer has an unconditional right to a refund of any surplus assuming the gradual settlement of the liabilities of the scheme over time, until all members have left the scheme. Accordingly, Facilities Management has assessed that it is permissible under IFRIC 14 *IAS 19 – The limit on a defined benefit asset, minimum funding* *requirements and their interaction* to recognise a defined benefit pension surplus at 31 December 2018, 31 December 2017 and 1 January 2017 in relation to the Landmarc Pension Scheme on the basis that the Trustees do not have unilateral power to wind up the scheme.

In March 2019, the pension strategy for the Landmarc Pension Scheme was reviewed, and a decision made to change the strategy going forward. In the past, the intention had been to maintain the scheme until the last deferred member leaves the scheme. However, the new strategy is to proactively seek to settle the pension liability when feasible. Whilst this does not necessarily mean settlement will occur in this, or the next, accounting period, it does mean that the Landmarc Pension Scheme is not expected to run-on in perpetuity.

Although the pension strategy was changed in March 2019, no changes to the legal terms of the Landmarc Pension Scheme have been made as at 31 December 2019. Therefore, on the basis that IFRIC 14 requires the surplus to be calculated based on the economic benefits available to Landmarc UK, regardless of the intentions of the sponsoring company as to how or whether those benefits will be utilised, the surplus has continued to be recognised at 31 December 2019.

The surplus on the Landmarc Pension Scheme is £11.5 million at 31 December 2019 *(31 December 2018: £8.2 million; 31 December 2017: £5.6 million; 1 January 2017: £3.0 million),* which is included in non-current assets in the summary financial information shown below.

The latest triennial valuation of Part B of the Interserve Pension Scheme as at 31 December 2017 was completed in 2019, with future contribution rates agreed as part of this exercise. Although Part B of the Interserve Pension Scheme was in a surplus on an IAS 19 basis at 31 December 2017, it was in a technical valuation deficit at that date, giving rise to deficit reduction contributions. The next triennial valuation of Part B of the Interserve Pension Scheme is due as at 31 December 2020, however, the method and timing of implementing the new pension strategy will impact any future valuation.

Based on the Schedule of Contributions in place in respect of the relevant period, Landmarc UK made deficit repair contributions of £1.5 million (31 December 2018: £1.5 million; 31 December 2017: £nil) during the year to Part B of the Interserve Pension Scheme, and expects to make deficit repair contributions of £2 million in the year ending 31 December 2020

The net assets of the joint venture are as follows:

	31 December 2019	**31 December 2018**	**31 December 2017**	**1 January 2017**
		£million		
Non-current assets	14.2	10.7	6.7	5.2
Current assets (including cash and cash equivalents of £18.4 million *(2018: £24.3 million; 2017: £9.9 million)*	27.3	32.4	24.0	17.0
Current liabilities	(18.7)	(25.6)	(13.2)	(12.3)
Non-current liabilities	(1.3)	(0.6)	—	—
Total net assets	21.5	16.9	17.5	9.9
Less: Net assets attributable to non-Facilities Management interests	(10.5)	(8.3)	(8.6)	(4.9)
Carrying value of net assets attributable to Facilities Management	11.0	8.6	8.9	5.0

Movements in the investment in the joint venture are as follows:

	Share of reserves
	£million
Balance at 1 January 2017	5.0
Share of profit after tax	3.0
Share of other comprehensive income	0.9
Balance at 31 December 2017	8.9
Share of profit after tax	3.3
Share of other comprehensive income	0.3
Dividends paid to Facilities Management	(3.9)
Balance at 31 December 2018	8.6
Share of profit after tax	4.6
Share of other comprehensive income	0.5
Dividends paid to Facilities Management	(2.7)
Balance at 31 December 2019	**11.0**

Joint operations

Facilities Management and Jacobs Clean Energy Limited ('Jacobs') are each 50% partners in a joint operation, OneAIM, which operates solely in the United Kingdom, to provide project maintenance work (including civil, mechanical and electrical engineering services) to Sellafield Limited. Facilities Management and Jacobs are both party to an agreement in respect of OneAIM, which sets out certain matters relating to the governance of OneAIM, deadlock procedures, restrictions on the parties with respect to entering into competing agreements, and obligations of the shareholders toward OneAIM.

Associates

The movement in Facilities Management's interest in Sussex Estates & Facilities LLP is shown below.

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
		£million	
Profit after tax attributable to Facilities Management	0.6	0.6	0.6
Dividends paid to Facilities Management..................	(0.7)	(0.6)	(1.2)
Retained results for the period attributable to Facilities Management..	(0.1)	—	(0.6)

17 Deferred tax assets

The following are the major deferred tax assets and (liabilities) recognised by Facilities Management.

	Retirement benefit obligations	Acquired intangible assets	Accelerated capital allowances	Trading losses	Other temporary differences	Deferred tax assets
			£million			
At 1 January 2017	2.1	(5.3)	5.7	2.0	2.5	7.0
(Charge)/credit to income statement	—	2.5	4.1	(0.4)	(1.3)	4.9
(Charge)/credit to OCI	(0.1)	—	—	—	—	(0.1)
At 31 December 2017	2.0	(2.8)	9.8	1.6	1.2	11.8
(Charge)/credit to income statement	—	2.3	—	(0.5)	(0.4)	1.4
(Charge)/credit to OCI	(0.3)	—	—	—	—	(0.3)
At 31 December 2018	1.7	(0.5)	9.8	1.1	0.8	12.9
(Charge)/credit to income statement	—	0.5	(1.0)	—	0.1	(0.4)
(Charge)/credit to OCI	(1.3)	—	—	—	—	(1.3)
At 31 December 2019	**0.4**	**—**	**8.8**	**1.1**	**0.9**	**11.2**

Certain deferred tax assets and liabilities, as shown below, have been offset on the combined statement of financial position.

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
		£million		
Deferred tax liabilities	—	(0.5)	(2.8)	(5.3)
Deferred tax assets	11.2	13.4	14.6	12.3
	11.2	12.9	11.8	7.0

Deferred tax assets are only recognised in specific entities in Facilities Management where it is probable that a taxable profit will be available against which the deductible temporary difference can be utilised, with the majority of the deferred tax assets recognised being in relation to accelerated capital allowances, rather than trading losses. No deferred tax asset has been recognised in respect of certain unused tax losses available for offset against future profits due to the unpredictability of future profit streams in those entities. The accumulated tax value of these unrecognised losses is £12.2 million *(31 December 2018: £13.5 million; 31 December 2017: £12.3 million; 1 January 2017: £5.1 million)* on gross losses of £70.8 million *(31 December 2018: £77.6 million; 31 December 2017: £71.4 million; 1 January 2017: £28.4 million)*.

18 Inventories

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
		£million		
Materials	6.0	5.9	6.2	3.7

19 Trade and other receivables

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
		£million		
Amounts recoverable from the sale of goods and services	114.0	119.5	129.3	127.2
Allowances for doubtful receivables	(6.5)	(4.0)	(2.3)	(3.4)
Net trade receivables	107.5	115.5	127.0	123.8
Amounts due from Interserve – trading (note 30)	5.3	2.9	7.9	3.8
Amounts due from Interserve – loans (note 30)	367.9	349.5	420.1	420.1
Amounts due from Interserve associates and joint ventures (note 30)	0.9	1.1	0.7	1.3
Amounts due from Facilities Management's associates and joint ventures (note 30)	0.2	0.3	0.5	0.7
Other receivables	12.8	9.7	8.8	11.1
Prepayments	9.4	10.9	13.7	14.9
Accrued income (note 6)	83.1	97.2	95.8	88.4
Retentions (note 6)	1.0	—	0.2	0.1
	588.1	587.1	674.7	664.2
Current assets	330.9	349.0	369.6	358.1
Non-current assets	257.2	238.1	305.1	306.1
	588.1	587.1	674.7	664.2

Amounts included in non-current assets consist of certain loan amounts due from Interserve. As at 31 December 2019 and 31 December 2018, these amounts are repayable in September 2021, and as at 31 December 2017 and 1 January 2017, these amounts are repayable in February 2019. The balance of the loan amounts due from Interserve are repayable on demand and are classified as current assets (note 30).

Ageing of trade receivables, not impaired but net of allowances for doubtful receivables, is as follows:

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
		£million		
Not more than one month past due	1.9	19.0	28.8	26.4
Between one and three months past due	0.5	5.6	5.2	5.5
Between three and six months past due	0.3	2.1	1.9	1.4
Greater than six months	1.4	2.3	0.5	3.3
Total past due but not impaired	4.1	29.0	36.4	36.6
Not past due	103.4	86.5	90.6	87.2
Total net trade receivables	107.5	115.5	127.0	123.8

Movements in allowances for doubtful receivables are as follows:

	31 December 2019	31 December 2018	31 December 2017
		£million	
Balance at beginning of the year	4.0	2.3	3.4
Amounts written off as uncollectable	(0.2)	(0.1)	(5.0)
Impairment losses recognised in the year	2.7	1.8	3.9
Balance at end of the year	6.5	4.0	2.3

20 Cash and cash equivalents

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
		£million		
Cash and cash equivalents per combined statement of financial position	148.6	129.3	77.0	104.5
Bank overdrafts (note 22)	(86.2)	(39.9)	(89.0)	(53.5)
Net cash and cash equivalents per combined statement of cash flows	62.4	89.4	(12.0)	51.0

Cash and deposits comprise cash held by Facilities Management and short-term bank deposits that have an original maturity of three months or less. Where deposits earn interest, the interest rates are at floating rates related to UK base rates. As at 31 December 2019, included within cash and deposits is £19.1 million *(31 December 2018: £19.8 million; 31 December 2017: £20.3 million, 1 January 2017: £16.2 million)* which is subject to various constraints on Facilities Management's ability to utilise these balances. These constraints relate to amounts held in project bank accounts.

21 Trade and other payables

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
		£million		
Amounts falling due within one year				
Trade payables	27.7	33.6	23.4	43.5
Trade amounts due to Interserve	8.4	2.6	9.0	9.0
Other payables	6.2	7.9	10.0	10.8
Accruals	138.7	146.3	130.3	134.7
Other taxation and social security	36.0	33.6	30.5	34.1
	217.0	224.0	203.2	232.1
Amounts falling due after more than one year				
Other payables	2.2	2.8	2.8	2.8
	219.2	226.8	206.0	234.9

Accruals largely relate to contract costs, staff costs, building utilities and other overheads.

22 Financing liabilities

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
		£million		
Bank overdrafts	86.2	39.9	89.0	53.5
Loan amounts due to Interserve	486.4	513.4	522.2	536.1
Lease liabilities (on adoption of IFRS 16 from 1 January 2019)	25.3	—	—	—
Finance lease liabilities (IAS 17)	—	4.9	0.3	—
Total	**597.9**	**558.2**	**611.5**	**589.6**
Current liabilities	262.7	165.9	211.3	175.7
Non-current liabilities	335.2	392.3	400.2	413.9
Total	**597.9**	**558.2**	**611.5**	**589.6**

Amounts included in non-current liabilities include the non-current amount of finance leases (up to 31 December 2018), the non-current amount of leases (on adoption of IFRS 16 on 1 January 2019) and certain loan amounts due to Interserve.

As at 31 December 2019 and 31 December 2018, the loan amounts due to Interserve which are presented as non-current liabilities are repayable in September 2021, and as at 31 December 2017 and 1 January 2017, the loan amounts due to Interserve which are presented as non-current liabilities are repayable in February 2019. The balance of the loan amounts due to Interserve are repayable on demand and are classified as current liabilities (note 30).

23 Provisions

	Onerous contracts	Insurance claims	Restructuring costs	Property costs	End-of-service benefits	Total
			£million			
Balance at 1 January 2017	9.3	0.8	3.0	1.4	—	14.5
Provisions made during the year	23.9	0.3	6.2	—	0.1	30.5
Provisions utilised during the year	(8.3)	(0.1)	(0.2)	(0.1)	—	(8.7)
Balance at 31 December 2017	**24.9**	**1.0**	**9.0**	**1.3**	**0.1**	**36.3**
Provisions made during the year	0.6	0.1	3.0	—	—	3.7
Provisions utilised during the year	(11.9)	(0.2)	(2.8)	—	—	(14.9)
Provisions reversed during the year	(8.1)	—	(0.7)	—	—	(8.8)
Balance at 31 December 2018	**5.5**	**0.9**	**8.5**	**1.3**	**0.1**	**16.3**
Recognised on adoption of IFRS 16 (note 4(iii)(b)	—	—	—	0.8	—	0.8
Transactions with Interserve (note 1.1)	1.9	—	—	—	—	1.9
Provisions made during the year	2.0	0.2	—	0.3	—	2.5
Provisions utilised during the year	(4.9)	(0.1)	(0.5)	—	(0.1)	(5.6)
Provisions reversed during the year	(0.3)	—	(0.6)	(1.0)	—	(1.9)
Balance at 31 December 2019	**4.2**	**1.0**	**7.4**	**1.4**	**—**	**14.0**

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
		£million		
Included in current liabilities	8.1	13.2	22.4	5.7
Included in non-current liabilities	5.9	3.1	13.9	8.8
	14.0	**16.3**	**36.3**	**14.5**

The impact of discounting is not material.

Onerous contracts

Onerous contract provisions are made where the forecast costs of completing a contract exceed the forecast income over the remaining life of the project.

The main contract to which these provisions relate is the US Forces Prime contract that ended in 2019. The US Forces Prime contract contributed £21.4 million to the provision made and £2.4 million to the provision utilised in the year ended 31 December 2017, giving a total provision of £19.0 million at 31 December 2017. This contract also contributed £8.0 million to the provision reversed and £6.4 million to the provision utilised in the year ended 31 December 2018, giving a total provision of £4.6 million at 31 December 2018. This contract contributed £4.4 million to the provision utilised in the year ended 31 December 2019, resulting in a provision of £0.2 million at 31 December 2019. This contract has been identified as non-underlying, see note 7, and also as giving rise to a key source of estimation uncertainty, see note 3(v).

Included within onerous contract provisions at 31 December 2019 is an amount of £1.9 million recognised as a transaction with Interserve in equity in relation to Power contracts in I&I, see note 1.1.

Insurance claims

Insurance claim provisions mainly represent public liability insurance excess where claims are expected to be processed or paid in a future period. These provisions are utilised as insurance claims are settled, which may take a number of years to close out.

Restructuring costs

Restructuring cost provisions largely relate to employee termination and property closure costs and includes certain costs as a result of Interserve's Fit For Growth programme (see note 7). The provision held at 31 December 2019 is expected to be utilised in 2020.

Restructuring cost provisions also include estimated section 75 termination payments as a result of exiting multi-employer pension schemes, see note 24.

Property costs

Property cost provisions consist of dilapidation costs in respect of leased properties, in particular, the Redditch office, where the lease expires in December 2021. These provisions will be released as the properties are exited and negotiations with landlords over the amount of dilapidations payable are completed. On adoption of IFRS 16 on 1 January 2019, a further dilapidation provision of £0.8 million has been recognised (see note 4(iii)(b)).

End-of-service benefits

End-of-service benefits provisions relate to amounts provided in the Middle East region under the requirements of local labour laws to settle staff gratuity payments at the end of their contract of employment. These provisions are released as employees leave Facilities Management.

24 Retirement benefit schemes

Defined contribution schemes

Facilities Management operates a defined contribution plan for new hires, with membership of the defined benefit arrangements only permitted when specific contract terms require defined benefit provision. Contributions to the defined contribution arrangements are in addition to those set out below and are charged directly to profit and loss (see note 9).

Defined benefit schemes

The principal pension schemes within Facilities Management have been valued for the purposes of IAS 19 *Employee Benefits*. For each of the material pension schemes valuation information has been updated by either Lane Clark & Peacock LLP or XPS Pensions Group, qualified independent actuaries, to take account of the requirements of IAS 19 in order to assess the liabilities of the various schemes as at each reporting date.

Actuarial gains and losses are recognised in full in the period in which they occur. As permitted by IAS 19, actuarial gains and losses are recognised outside the combined income statement and presented in other comprehensive income. The liability recognised in the combined statement of financial position represents the present value of the various defined benefit obligations, as reduced by the fair value of plan assets. The cost of providing benefits is determined using the projected unit credit method.

The current funding target for Facilities Management's defined benefit schemes is to maintain assets equal to the value of the accrued benefits based on projected salaries (where relevant). The regulatory framework in the UK requires the trustees and Facilities Management to agree upon the assumptions underlying the funding target, and then to agree upon the necessary contributions required to recover any deficit at the valuation date. There is a risk to Facilities Management that adverse experience could lead to a requirement for Facilities Management to make considerable contributions to recover any deficit.

<u>Interserve Pension Scheme</u>

Facilities Management contributes to various defined benefit pension schemes in the UK, the most significant of which is the Interserve Pension Scheme, where benefits are generally related to service and final salary. The Interserve Pension Scheme has historically consisted of two segregated sections – Part A and Part B. For further details of Part B, see 'Landmarc Pension Scheme' in note 16.

The Interserve Pension Scheme was further segregated in February 2020 such that certain liabilities formerly within Part A were allocated to a new section – Part C ('Support Services'). Part C relates to circa 200 active members wholly within Facilities Management. The residual 'Part A' relates to the active members outside of Facilities Management, and all deferred members and pensioners. As this split took place after the period end, it has not been reflected in this combined carve-out financial information, and all subsequent references to Part A within this note refer to the scheme prior to this segregation.

Following the further segregation of Part A of the Interserve Pension Scheme in February 2020, Facilities Management will only be responsible as a sponsoring employer for contributions into Part C of the scheme. However, from the date of the further segregation in February 2020, Facilities Management has been providing covenant support to Part A in the form of a non-interest bearing loan note, with an initial principal amount of £52.1 million. This loan note will be extinguished such that this liability will not transfer to Mitie on completion of the Transaction. A technical valuation of Part C of the Interserve Pension Scheme has not yet been performed, with the next valuation due at 31 December 2020. It is not anticipated that there will be any deficit reduction contributions to Part C of the Interserve Pension Scheme until at least 1 April 2022.

As there is no contractual agreement or stated policy for charging the net defined benefit cost in relation to Part A of this plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is another member of Interserve. Facilities Management recognises a cost equal to its contribution payable for the year.

Interserve Pension Scheme Part A

The table below summarises the amounts recognised in Interserve's statement of financial position in respect of Part A of the Interserve Pension Scheme, a breakdown of the fair value of the plan assets, and the significant actuarial assumptions used to determine the present value of the defined benefit obligation.

All amounts disclosed for the Interserve Pension Scheme Part A are prior to the further segregation of the Interserve Pension Scheme that took place in February 2020 (see above).

	31 December 2019	**31 December 2018**	**31 December 2017**	**1 January 2017**
		£million		
Present value of defined benefit obligations	813.9	757.7	967.2	950.8
Fair value of scheme assets	(922.2)	(856.5)	(928.7)	(911.3)
Net (surplus)/deficit	(108.3)	(98.8)	38.5	39.5

Interserve's net deficit of £38.5 million at 31 December 2017 improved to a net surplus of £98.8 million at 31 December 2018, as a result of the Trustee agreeing to change the Scheme terms during 2018 relating to the inflation reference index used to calculate increases to some members' benefits in the scheme. This was recognised as a plan amendment, with a past service cost recognised in Interserve's income statement for the year ended 31 December 2018, giving rise to a gain of £70.6 million for Interserve.

	31 December 2019	**31 December 2018**	**31 December 2017**	**1 January 2017**
		Fair value £million		
Equities (quoted)	1.3	1.0	260.2	238.1
Alternative investments (primarily unquoted)	192.5	140.2	179.9	156.3
Liability Driven Investment 'LDI' (unquoted)	307.3	379.0	124.0	117.7
Insurance policy (unquoted)	290.7	288.2	317.5	342.9
Corporate bonds (quoted)	76.7	—	—	—
Infrastructure (unquoted)	51.4	44.7	44.2	51.5
Cash and other (primarily unquoted)	2.3	3.4	2.9	4.8
	922.2	856.5	928.7	911.3

Alternative investments include diversified growth funds, emerging market multi-asset funds and asset-backed securities (primarily unquoted).

The trustee of the Interserve Pension Scheme holds an insurance policy in Part A of the scheme to protect Interserve from certain risks associated with approximately 35% of that section's defined benefit obligations. The policy aims to match the pension payments to the pensioner members who were above age 65 in July 2014. The policy is not an exact match for the benefits in certain areas, notably: pension increases if price inflation falls below 0%; differences between the increase in the Consumer Prices Index and the Retail Prices Index; and the eligibility criteria for dependants' pensions. Due to the inexact nature of the match, the value of the asset can vary from the value of the corresponding liability, which is primarily due to different inflation measures being applicable to the benefits valued for the asset and the liability (RPI and CPI respectively).

Except for the element of the policy which precisely matches the benefits (around 1% of the total policy value), the policy has been valued at the estimated replacement cost at the reporting date by Interserve's actuarial advisers LCP in accordance with the fair value requirements of IFRS 13 *Fair Value Measurement*. The small matching element has been valued at the same amount as the liability in respect of the matched benefits.

During 2016 the Interserve Pension Scheme invested in a bespoke pooled LDI fund. The LDI portfolio provides a broad 106% hedge of Part A of the scheme's interest rate and inflation exposure not covered by the insurance policy above. The LDI manager invests in a combination of gilts and swaps, depending on the relative attractiveness of each instrument at each maturity.

Part A of the scheme has not directly invested in any of Interserve's (including Facilities Management's) other financial instruments nor in other assets or properties used by Interserve.

The latest triennial valuation of Part A of the Interserve Pension Scheme as at 31 December 2017 was completed in 2019, with future contribution rates agreed as part of this exercise. Part A of the Interserve Pension Scheme was in a deficit of £38.5 million on an IAS 19 basis at 31 December 2017 and was also in a technical valuation deficit at that date, giving rise to deficit reduction contributions. The next triennial valuation of Part A of the Interserve Pension Scheme is due as at 31 December 2020.

Based on the Schedule of Contributions in place in respect of the relevant period, Interserve expects to contribute £20.3 million *(31 December 2018: £19.0 million; 31 December 2017: £17.9 million; 1 January 2017: £19.5 million)* to Part A of the Interserve Pension Scheme during the following year. This includes deficit reduction contributions of £15.0 million *(31 December 2018: £14.6 million; 31 December 2017: £14.1 million; 1 January 2017: £13.7 million)*.

Facilities Management made contributions of £9.3 million *(31 December 2018: £8.0 million; 31 December 2017: £9.3 million)* to Part A of the Interserve Pension Scheme during the year, of which £8.4 million *(31 December 2018: £6.8 million; 31 December 2017: £6.5 million)* were deficit repair contributions, and are presented in non-recurring items (note 7).

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
		£million		
Significant actuarial assumptions (%, unless stated)				
Retail price inflation (pa)	2.9	3.2	3.2	3.3
Discount rate (pa)	2.2	3.0	2.5	2.8
Post-retirement mortality (expectancy of life in years at 65)				
Male currently aged 65	21.1	21.3	22.7	22.6
Female currently aged 65	23.2	23.3	24.6	24.5
Male aged 65 in 20 years' time	22.2	22.3	24.5	24.4
Female aged 65 in 20 years' time	24.4	24.5	26.0	26.0
Other related actuarial assumptions (%)				
Consumer price index price inflation (pa)	2.0	2.1	2.2	2.3
Pensions increase assumptions (pa)				
RPI (min 0%)	2.9	3.2	3.2	3.3
RPI (min 0%, max 5%)	2.8	3.1	3.1	3.1
RPI (min 3%, max 5%)	3.6	3.7	3.7	3.7
CPI (min 0%)	2.1	2.1	2.2	2.3
CPI (min 0%, max 5%)	2.1	2.1	2.2	2.3
CPI (min 3%, max 5%)	3.2	3.2	n/a	n/a
Fixed 5%	5.0	5.0	5.0	5.0
General salary increase (pa)	2.5	2.6	2.7	2.8

Interserve Pension Scheme Part B – Landmarc Pension Scheme

Landmarc Support Services Limited, a joint venture of Facilities Management, is the sole sponsoring employer for Part B of the Interserve Pension Scheme ('Landmarc Pension Scheme'). The results and position of this scheme are included within the joint venture entity, which is equity-accounted for (note 16), and hence the scheme is not separately disclosed in this combined carve-out financial information.

Multi-employer Schemes

Facilities Management also participates in two multi-employer schemes – the Plumbing & Mechanical Services (UK) Industry Pension Scheme ('Plumbing Scheme') and the Railways Pension Scheme (the 'Railways Scheme'). Facilities Management participated in the Plumbing Scheme until 2016, when a section 75 termination payment was triggered, for which a provision of £2.1 million is included within 'restructuring provisions' at 31 December 2019, 31 December 2018, 31 December 2017 and 1 January 2017 (see note 23).

Facilities Management continues to participate in the Omnibus section of the Railways Scheme, for employers with less than 50 employees in the scheme. Overall Facilities Management has one individual remaining in the scheme at 31 December 2019, out of a total of circa 342,000 members, with annual contributions of less than £0.1 million. A provision of £1.1 million is included within restructuring provisions at 31 December 2019, 31 December 2018 and 31 December 2017 in relation to the section 75 termination payment for this scheme (see note 23), with the associated expense recognised in restructuring costs as an 'other item' in the year ended 31 December 2017 (see note 7).

Admitted Body Schemes

Facilities Management makes contributions under Admitted Body status to customers' (generally local government or government entities) defined benefit schemes in respect of certain employees who transferred to Facilities Management under TUPE. For the Admitted Body schemes, which are largely sections of the Local Government Pension Scheme, Facilities Management will only participate for a finite period up to the end of the relevant contract. Facilities Management is required to pay regular contributions, as decided by the relevant scheme actuaries. Annual contributions to Admitted Body Schemes are £0.3 million per annum.

Maclellan Pension Scheme, Berkshire Pension Scheme, Tyne & Wear Pension Scheme and THK Insulation Pension Scheme

Facilities Management is the sole employer for two other defined benefit pension schemes – the Maclellan Facilities Management 2000 Retirement Benefit Scheme (the 'Maclellan Pension Scheme') and the THK Insulation Pension Scheme, which are recognised in the combined statement of financial position. An entity in Facilities Management also participates in its own section of the Royal County of Berkshire Pension Fund (the 'Berkshire Pension Scheme'), which is recognised in the combined statement of financial position. The participating entity is required to settle the deficit on this pension scheme on leaving the associated contract, which ended in November 2017. This deficit is not yet settled at 31 December 2019, and when the cash settlement is made, the IAS 19 pension deficit will be de-recognised from the combined statement of financial position. Additionally, an entity in Facilities Management also participates in its own section of the Tyne & Wear Pension Fund, which is recognised in the combined statement of financial position.

Across these four defined benefit pension schemes, there are four active members and fewer than 100 total members at 31 December 2019.

Key assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
Significant actuarial assumptions (%, unless stated)				
Retail price inflation (pa)	3.2	3.4	3.3	3.7
Discount rate (pa)	2.2	2.4	2.5	2.8
Post-retirement mortality (expectancy of life in years at 65)				
Male currently aged 65	22.3	22.1	23.1	23.1
Female currently aged 65	24.8	24.1	25.3	25.1
Male aged 65 in 20 years' time	23.3	23.8	25.3	25.1
Female aged 65 in 20 years' time	25.7	25.9	27.5	27.4
Other related actuarial assumptions				
Consumer price index price inflation (pa)	2.2	2.4	2.3	2.7
Pensions increase assumptions (pa)	2.2	2.4	2.3	2.7
General salary increase (pa)	3.7	3.9	3.8	4.2

Net defined benefit liability

The amount included in the combined statement of financial position arising from Facilities Management's obligations in respect of defined benefit pension schemes is as follows:

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
		£million		
Present value of defined benefit obligations	17.1	23.7	26.7	26.6
Fair value of scheme assets	(15.2)	(14.0)	(15.2)	(14.4)
Deficit before impact of asset ceiling and minimum funding requirement	1.9	9.7	11.5	12.2
Impact of asset ceiling and minimum funding requirement	0.4	0.4	0.4	—
Net liability recognised in the combined statement of financial position	2.3	10.1	11.9	12.2

In accordance with IFRIC 14 *IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction*, a restriction on the surplus of £0.1 million has been recognised in relation to the Tyne & Wear Pension Fund at 31 December 2019, 31 December 2018 and 31 December 2017 on the basis the sponsoring employer does not have an unconditional right to a refund of the surplus; and a minimum funding requirement of £0.3 million has been recognised in relation to the MacLellan Pension Scheme at 31 December 2019, 31 December 2018 and 31 December 2017.

The reduction in the defined benefit pension liability in the year ended 31 December 2019 is due to revised expectations on the settlement of the Berkshire Pension Scheme. This has been recognised as an actuarial gain within other comprehensive income.

Movements in net defined benefit liability/asset

	31 December 2019	31 December 2018	31 December 2017
		£million	
Opening net liability	10.1	11.9	12.2
Net interest expense charged to the combined income statement	0.3	0.3	0.4
Amounts recognised in other comprehensive income	(7.7)	(1.8)	(0.4)
Employer contributions	(0.4)	(0.3)	(0.3)
Closing net liability	2.3	10.1	11.9

Sensitivity analysis

		Indicative change in defined benefit obligations			
		31 December 2019	**31 December 2018**	**31 December 2017**	**1 January 2017**
	Sensitivity	*£million*			
Sensitivity to significant actuarial assumptions					
Price inflation............................	+ 0.5% pa	1.3	2.0	1.8	1.8
Discount rate.............................	+ 0.5% pa	(1.3)	(2.0)	(2.7)	(2.7)
Post-retirement mortality (expectancy of life in years).....	1 year increase	0.6	0.8	0.9	1.0

The sensitivities shown above reflect only the change in the assessed defined benefit obligation. In practice any movement in assumptions is likely to be accompanied by similar (although not necessarily equal) change in asset values, and the corresponding overall impact on the net liability is therefore likely to be different from than the amounts above.

Recognised in the combined income statement

The interest cost recognised within financing costs in the combined income statement is as follows:

	Year ended 31 December 2019	**Year ended 31 December 2018**	**Year ended 31 December 2017**
		£million	
Net interest expense on the net defined benefit pension liability	0.3	0.3	0.4

Recognised in other comprehensive income

The amounts recognised in other comprehensive income are as follows:

	Year ended 31 December 2019	**Year ended 31 December 2018**	**Year ended 31 December 2017**
		£million	
Actuarial gains	(7.7)	(1.8)	(0.8)
Increase in asset ceiling..	—	—	0.4
Total income in other comprehensive income	(7.7)	(1.8)	(0.4)

Plan assets

At the reporting date, the allocation of the schemes' assets is as follows:

	31 December 2019		31 December 2018		31 December 2017		1 January 2017	
	Current allocation	**Fair value**	**Current allocation**	**Fair value**	**Current allocation**	**Fair value**	**Current allocation**	**Fair value**
	%	*£million*	*%*	*£million*	*%*	*£million*	*%*	*£million*
Equities (quoted)	35	5.3	35	5.0	32	5.0	43	6.2
Alternative investments (primarily unquoted)	10	1.5	10	1.4	11	1.6	—	—
Property (unquoted)	11	1.7	11	1.6	11	1.7	12	1.7
Insurance policies (unquoted)	13	2.0	13	1.8	12	1.8	13	1.8
Government bonds (quoted)	1	0.2	1	0.1	1	0.1	1	0.1
Corporate bonds (quoted)	11	1.7	11	1.5	11	1.7	11	1.6
Infrastructure (unquoted)	7	1.1	7	1.0	5	0.7	6	0.8
Cash and other (primarily unquoted)	12	1.7	12	1.6	17	2.6	14	2.2
	100	15.2	100	14.0	100	15.2	100	14.4

Alternative investments include diversified growth funds, hedge funds and emerging market multi-asset funds (primarily unquoted). The schemes have not directly invested in any of Facilities Management's other financial instruments nor in other assets or properties used by Facilities Management.

Reconciliation of defined benefit obligation

A reconciliation of the present value of the defined benefit obligations is as follows:

	31 December 2019	**31 December 2018**	**31 December 2017**
		£million	
Opening defined benefit obligations	23.7	26.7	26.6
Interest on defined benefit obligations	0.6	0.6	0.7
Actuarial loss/(gain) due to:			
Changes in financial assumptions	2.6	(3.6)	(0.4)
Changes in demographic assumptions	0.2	—	—
Experience on defined benefit obligations	(10.0)	0.2	—
Benefits paid	—	(0.2)	(0.2)
Closing defined benefit obligations	17.1	23.7	26.7

Reconciliation of the fair value of plan assets

A reconciliation of the fair value of the schemes' assets is as follows:

	31 December 2019	**31 December 2018**	**31 December 2017**
		£million	
Opening fair value of the schemes' assets	14.0	15.2	14.4
Interest on schemes' assets	0.3	0.3	0.3
Actual return on schemes' assets less interest on schemes' assets	0.5	(1.6)	0.4
Contributions by the employers	0.4	0.3	0.3
Benefits paid	—	(0.2)	(0.2)
Closing fair value of schemes' assets	15.2	14.0	15.2

Future contributions

Facilities Management contributions are expected to be £0.1 million *(31 December 2018: £0.4 million; 31 December 2017: £0.3 million; 1 January 2017: £0.3 million)* to the MacLellan Pension Scheme, Berkshire Pension Scheme, Tyne & Wear Pension Scheme and THK Insulation Pension Scheme during the following year.

The weighted average duration of the schemes is 20 years at 31 December 2019 *(31 December 2018: 20 years; 31 December 2017: 20 years; 1 January 2017: 20 years).*

25 Share-based payments

Interserve Plc operated three share-based payment arrangements – the Performance Share Plan, Restricted Stock Award and Sharesave Scheme. These schemes were all classified as equity-settled share-based payment arrangements, with a cash settled element for cash payments equivalent to the dividends which would have accrued to Performance Share Plan participants had their vested shares been awarded at the grant date. Further details of these three schemes can be found in note 28 of the 2018 Interserve Plc financial statements.

Interserve Plc recharged Facilities Management for the fair value of grants made to employees of Facilities Management up to 15 March 2019. All share-based incentive schemes lapsed on Interserve Plc being placed into administration on 15 March 2019.

The charge to Facilities Management's combined income statement, recognised in operating profit, for the year to 31 December 2019 is £nil *(31 December 2018: £0.4 million; 31 December 2017: £0.3 million).*

Facilities Management has no other share-based payment schemes.

26 Financial instruments

(i) Classification

Financial assets comprise trade and other receivables (including amounts due from Interserve, but excluding prepayments, accrued income and retentions) and cash and cash equivalents. Financial liabilities comprise trade and other payables (excluding deferred income and other tax and social security), overdrafts, amounts due to Interserve, finance leases (prior to the adoption of IFRS 16 on 1 January 2019) and leases (following the adoption of IFRS 16 on 1 January 2019).

In all cases, the carrying value of financial assets and financial liabilities approximates their fair value. Further, for the year ended 31 December 2019, the fair value disclosure of lease liabilities is not required.

Facilities Management has the following categories of financial assets and liabilities:

For periods beginning on and after 1 January 2018 (following adoption of IFRS 9)

	31 December 2019	31 December 2018	1 January 2018
		£million	
Financial assets at amortised cost			
Cash and cash equivalents (note 20)	148.6	129.3	77.0
Trade and other receivables (note 19)	494.6	479.0	565.0
Total financial assets	**643.2**	**608.3**	**642.0**
Financial liabilities at amortised cost			
Financing liabilities (note 22)	(597.9)	(558.2)	(611.5)
Trade and other payables (note 21)	(183.2)	(193.2)	(175.5)
Total financial liabilities	**(781.1)**	**(751.4)**	**(787.0)**

For periods prior to 1 January 2018 (IAS 39)

	31 December 2017	1 January 2017
	£million	
Loans and receivables		
Cash and cash equivalents (note 20)	77.0	104.5
Trade and other receivables (note 19)	565.0	560.8
Total financial assets	**642.0**	**665.3**
Financial liabilities		
Financing liabilities (note 22)	(611.5)	(589.6)
Trade and other payables (note 21)	(175.5)	(200.8)
Total financial liabilities	**(787.0)**	**(790.4)**

(ii) Market risk

Market risk is the risk that changes in market prices – for example foreign exchange rates and interest rates – will affect Facilities Management income or the value of its holdings of financial instruments.

Currency risk

Where Facilities Management has overseas operations, the revenues and costs of the business will typically be denominated in local currency. Gains and losses arising on retranslation of monetary assets and liabilities that are not denominated in the functional currency of individual Facilities Management entities are recognised in the combined income statement. Facilities Management does not hedge these transaction differences.

Gains and losses arising on the retranslation of foreign operations' net assets into the combination currency are recognised in other comprehensive income and are held separately in a translation reserve in equity. Facilities Management does not hedge these translation differences.

Interest rate risk

Facilities Management interest-bearing financial instruments are certain cash and cash equivalents, bank overdrafts, and certain loan amounts due from or to Interserve. The use of fixed-rate borrowings, where appropriate, diminishes the impact of an interest rate change.

Exposure to currency risk and interest rate risk

Facilities Management's exposure to currency risk and interest rate risk on financial assets is analysed below:

	31 December 2019			31 December 2018		
	Fixed rates	Non-interest-bearing assets	Total	Fixed rates	Non-interest-bearing assets	Total
		£million			*£million*	
Sterling	246.7	363.2	**609.9**	227.5	327.3	**554.8**
Euro	10.5	20.9	**31.4**	10.6	40.1	**50.7**
Saudi Riyal	—	1.9	**1.9**	—	2.8	**2.8**
	257.2	386.0	**643.2**	238.1	370.2	**608.3**

	31 December 2017			1 January 2017		
	Fixed rates	**Non-interest-bearing assets**	**Total**	**Fixed rates**	**Non-interest-bearing assets**	**Total**
		£million			*£million*	
Sterling	292.3	308.2	**600.5**	294.2	335.3	**629.5**
Euro	12.3	26.2	**38.5**	11.9	17.9	**29.8**
Saudi Riyal	0.5	2.5	**3.0**	—	6.0	**6.0**
	305.1	336.9	**642.0**	306.1	359.2	**665.3**

Financial assets at fixed interest rates are loan amounts due from Interserve, which accrue interest at a rate of 3%.

Facilities Management's exposure to currency risk and interest rate risk on financial liabilities (excluding lease liabilities) is analysed below:

	31 December 2019				31 December 2018			
	Leases (IFRS 16)	**Fixed rate borrowings**	**Non-interest-bearing liabilities**	**Total**	**Finance leases (IAS 17)**	**Fixed rate borrowings**	**Non-interest-bearing liabilities**	**Total**
		£million				*£million*		
Sterling	22.1	311.4	422.1	**755.6**	4.9	376.2	327.2	**708.3**
Euro	3.2	9.3	11.6	**24.1**	—	12.7	28.1	**40.8**
Saudi Riyal	—	—	1.4	**1.4**	—	—	2.3	**2.3**
	25.3	320.7	435.1	**781.1**	4.9	388.9	357.6	**751.4**

	31 December 2017				1 January 2017			
	Finance leases (IAS 17)	**Fixed rate borrowings**	**Non-interest-bearing liabilities**	**Total**	**Finance leases (IAS 17)**	**Fixed rate borrowings**	**Non-interest-bearing liabilities**	**Total**
		£million				*£million*		
Sterling	0.3	390.1	371.1	**761.5**	—	400.9	367.2	**768.1**
Euro	—	9.9	13.1	**23.0**	—	9.2	6.8	**16.0**
Saudi Riyal	—	—	2.5	**2.5**	—	3.8	2.5	**6.3**
	0.3	400.0	386.7	**787.0**	—	413.9	376.5	**790.4**

Financial liabilities at fixed interest rates are loan amounts due to Interserve, which accrue interest at a rate of 4%.

Facilities Management's exposure to fluctuations in foreign exchange rates is shown below where a change in value of foreign currencies against sterling would have the following impact on the results of Facilities Management:

	31 December 2019	**31 December 2018**	**31 December 2017**
		£million	
A 1% change in exchange rates results in:			
Change in profit	—	—	—
Change in reserves/net assets	0.2	0.2	0.2

Facilities Management has limited exposure to transactional foreign currency risk from trading transactions in currencies other than the functional currency of the individual entities. The sensitivity above represents the translational foreign currency risk from the translation of foreign operations into the combination currency.

As all of Facilities Management's financial instruments are either non-interest bearing or have fixed interest rates, Facilities Management is not exposed to fluctuations in interest rates.

(iii) Liquidity risk

Liquidity risk is the risk that Facilities Management will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The liquidity risk of Facilities Management is managed as part of the Interserve Group. Interserve seeks to maintain sufficient facilities to ensure that it has access to funding to meet current and anticipated future funding requirements determined from budgets and medium-term plans.

As at 31 December 2019 there are no significant long-term financial liabilities recognised by Facilities Management. The loans due to Interserve (and loans due from Interserve) recognised at 31 December 2019 will be settled as a part of the Transaction.

The following are the remaining contractual maturities of financial liabilities and leases (following the adoption of IFRS 16 from 1 January 2019) at the reporting date. The amounts are gross and undiscounted and include contractual interest payments.

		Contractual cash flows			
31 December 2019	**Carrying amount**	**Total**	**On demand or within one year**	**In one to five years**	**After five years**
			£million		
Trade and other payables	183.2	183.2	181.0	2.2	—
Loan amounts due to Interserve	486.4	508.8	178.5	330.3	—
Bank overdraft	86.2	86.2	86.2	—	—
Lease liabilities	25.3	28.6	10.8	15.0	2.8
	781.1	**806.8**	**456.5**	**347.5**	**2.8**

		Contractual cash flows			
31 December 2018	**Carrying amount**	**Total**	**On demand or within one year**	**In one to five years**	**After five years**
			£million		
Trade and other payables	193.2	193.2	190.4	2.8	—
Loan amounts due to Interserve	513.4	556.2	140.2	416.0	—
Bank overdrafts	39.9	39.9	39.9	—	—
Lease liabilities	4.9	5.4	1.7	3.7	—
	751.4	**794.7**	**372.2**	**422.5**	**—**

		Contractual cash flows			
31 December 2017	**Carrying amount**	**Total**	**On demand or within one year**	**In one to five years**	**After five years**
			£million		
Trade and other payables	175.5	175.5	172.7	2.8	—
Loan amounts due to Interserve	522.2	540.9	138.2	402.7	—
Bank overdrafts	89.0	89.0	89.0	—	—
Lease liabilities	0.3	0.5	0.1	0.4	—
	787.0	**805.9**	**400.0**	**405.9**	**—**

1 January 2017	Carrying amount	Contractual cash flows Total	On demand or within one year	In one to five years	After five years
			£million		
Trade and other payables	200.8	200.8	198.0	2.8	—
Loan amounts due to Interserve	536.1	572.0	138.8	433.2	—
Bank overdrafts	53.5	53.5	53.5	—	—
	790.4	**826.3**	**390.3**	**436.0**	**—**

(iv) Credit risk

Credit risk is the risk of financial loss to Facilities Management if a customer or counterparty to a financial asset fails to meet its contractual obligations.

Facilities Management's principal financial assets are cash and cash equivalents and trade and other receivables, which represent Facilities Management's maximum exposure to credit risk in relation to financial assets.

Exposure to credit risk on liquid funds is managed by Facilities Management's requirement to trade with counterparties with strong credit ratings as determined by international credit rating agencies. The transactional banking requirements are met by local banks in each location with significant cash balances being remitted to Interserve treasury where short-term cash surpluses or cash not available for use by Facilities Management is deposited with investment grade rated banks.

Facilities Management's credit risk is primarily attributable to its trade receivables and accrued income. Facilities Management monitors, where available, the external credit ratings of its major customers and obtains, where necessary, credit references on their financial standing to ensure that it only deals with credit worthy counterparties. Also, where considered appropriate, parent company guarantees and letters of credit are obtained.

Quantitative analysis on trade receivables and accrued income is shown in note 19.

Loan amounts due from Interserve

Facilities Management is exposed to credit risk in relation to its loan receivables due from Interserve. Of the total loan amounts due from Interserve, an amount of £299.7 million *(31 December 2018: £281.3 million; 31 December 2017: £350.8 million; 1 January 2017: £351.3 million)*, is due from the Interserve group treasury company. Included within loan amounts due to Interserve is an amount of £392.4 million *(31 December 2018: £418.0 million; 31 December 2017: £418.5 million; 1 January 2017: £429.7 million)* due to the same company, such that Facilities Management is in a net payable position.

A further loan amount of £68.2 million *(31 December 2018: £68.2 million; 31 December 2017: £67.0 million; 1 January 2017: £66.5 million)* is due to Facilities Management from another Interserve group company. Included within loan amounts due to Interserve is an amount of £94.0 million *(31 December 2018: £93.5 million; 31 December 2017: £91.8 million; 1 January 2017: £91.8 million)* due to the same company, such that Facilities Management is in a net payable position.

The remaining loan amounts due from Interserve of £nil million *(31 December 2018: £nil million; 31 December 2017: £2.3 million; 1 January 2017: £2.3 million)* are immaterial.

For periods beginning on and after 1 January 2018

A review of all trade receivables write-offs is carried out to evaluate whether these are indicative of expected future credit exposures. The historical rates of credit loss are then looked at in the context of current and future factors affecting customers' credit worthiness. Trade receivables are written off when there is considered to be very little likelihood of recovery of the debt.

Facilities Management's expected credit loss percentage is an immaterial amount. The current assessment is that no future credit losses will arise, but Facilities Management continues to monitor its exposure to expected credit losses.

A review of all loan amounts due from Interserve is carried out to evaluate whether there are any indications of expected future credit exposures within the next 12 months, or, whether there has been a significant increase in credit risk since initial recognition, in which case lifetime expected future credit exposures are assessed. When performing this assessment, Facilities Management considers the financial position of the counterparty, including within that assessment amounts owed by Facilities Management to the same counterparty. Facilities Management's expected credit loss percentage on loan amounts due from Interserve is an immaterial amount.

For periods prior to 1 January 2018

The amounts presented in the combined statement of financial position are net of allowances for doubtful receivables, estimated by Facilities Management based on prior experience and an assessment of the economic environment. Apart from receivables due from customers related to HM Government, Facilities Management has no significant concentration of credit risk (with the exception of loan amounts due from Interserve, see above), with exposure spread over a number of counterparties and customers.

(v) Capital management

As stated in the basis of preparation (see note 1), Facilities Management is currently managed as a part of Interserve. Interserve's investment in Facilities Management is presented as 'Invested equity attributable to Interserve' in the combined statement of financial position.

Interserve manages its capital to ensure that entities in the Interserve Group will be able to continue to operate as a going concern, whilst seeking to optimise the debt and equity balance, in order to maximise the return to stakeholders. The capital structure of Interserve consists of net debt, which includes cash, deposits and borrowings, and equity attributable to equity holders of Interserve. Interserve may adjust its capital structure by issuing new shares or selling assets to reduce debt. Interserve is not subject to externally imposed capital requirements but is subject to covenants in its loan agreements which seek to maintain the level of debt and interest that Interserve may take on at serviceable levels by reference to Interserve's earnings which ultimately limits the amount of debt that Interserve can take on.

27 Reconciliation of net cash flow to movement in net debt

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
		£million	
Net (decrease)/increase in cash and cash equivalents.	(27.0)	101.4	(63.0)
Advance of funds for loans due from Interserve	21.5	14.0	9.5
Receipt from repayment of loans due from Interserve	(2.1)	(81.0)	(10.0)
Receipt from issue of loans due to Interserve	(10.7)	(15.5)	(1.1)
Repayment of loans due to Interserve	35.6	19.3	14.8
Capital elements of lease rental payments	11.8	0.9	0.2
Change in net debt resulting from cash flows	**29.1**	**39.1**	**(49.6)**
Accrued interest on loans due to/from Interserve	1.9	(1.2)	0.7
Non-cash movement in lease liabilities	(0.9)	(5.5)	(0.5)
Effect of foreign exchange rate changes	(0.8)	—	—
Other non-cash movements on transactions with Interserve (note 30)	—	2.6	—
Movement in net debt during the period	**29.3**	**35.0**	**(49.4)**
Opening net debt	(79.4)	(114.4)	(65.0)
Adjustment at 1 January 2019 as a result of adoption of IFRS 16 (note 4(iii)(b))	(31.3)	—	—
Closing net debt	**(81.4)**	**(79.4)**	**(114.4)**

Other non-cash movements in the year ended 31 December 2018 were transactions with Interserve recognised in equity, in relation to the Engineering and Indium excluded operations, see note 30.

Net debt is comprised as follows:

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
		£million		
Cash and cash equivalents per combined statement of cash flows (note 20)	62.4	89.4	(12.0)	51.0
Loan amounts due from Interserve (note 19)	367.9	349.5	420.1	420.1
Loan amounts due to Interserve (note 22)	(486.4)	(513.4)	(522.2)	(536.1)
Lease liabilities (note 22)	(25.3)	(4.9)	(0.3)	—
Net debt	**(81.4)**	**(79.4)**	**(114.4)**	**(65.0)**

28 Leases

For periods prior to 1 January 2019

Operating leases

At the reporting date, Facilities Management had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 December 2018			31 December 2017			1 January 2017		
	Land and buildings	**Other**	**Total**	**Land and buildings**	**Other**	**Total**	**Land and buildings**	**Other**	**Total**
		£million			*£million*			*£million*	
Within one year	2.0	12.2	**14.2**	3.1	11.0	**14.1**	2.3	10.1	**12.4**
In the second to fifth years inclusive	5.5	19.6	**25.1**	6.9	13.7	**20.6**	5.2	11.1	**16.3**
After five years	1.1	—	**1.1**	2.0	—	**2.0**	1.6	—	**1.6**
	8.6	31.8	**40.4**	12.0	24.7	**36.7**	9.1	21.2	**30.3**

The majority of leases of land and buildings are subject to rent reviews at periodic intervals of between three and five years and are based on market rates. Operating lease commitments are no longer disclosed following the adoption of IFRS 16 on 1 January 2019. Note 4(iii)(b) provides a reconciliation of operating lease commitments at 31 December 2018 to lease liabilities recognised at 1 January 2019.

Finance leases

Finance lease liabilities are payable as follows:

	31 December 2018			31 December 2017			1 January 2017		
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**
		£million			*£million*			*£million*	
Within one year	1.7	(0.2)	**1.5**	0.1	—	**0.1**	—	—	—
Between one and five years	3.7	(0.3)	**3.4**	0.4	(0.2)	**0.2**	—	—	—
After five years	—	—	—	—	—	—	—	—	—
	5.4	(0.5)	**4.9**	0.5	(0.2)	**0.3**	—	—	—

Finance leases are held over specialised vehicles within Facilities Management's Spanish entities. The lease liabilities are secured over the assets to which they relate.

For the period beginning on or after 1 January 2019

Facilities Management's lease portfolio consists primarily of property and vehicle assets.

Each lease generally imposes a restriction that, unless there is a contractual right for Facilities Management to sub-let the asset to another party, the right-of-use asset can only be used by Facilities Management. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. Facilities Management is prohibited from selling or pledging the underlying leased assets as security. For leases of office buildings, Facilities Management is required to keep those properties in a good state of repair and return the properties to their original condition at the end of the lease. Further, Facilities Management must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

Facilities Management classifies its right-of-use assets in a consistent manner to its property, plant and equipment, see note 15.

Lease liabilities

Lease liabilities are presented in the combined statement of financial position as follows:

	Year ended 31 December 2019
	£million
Recognised at 1 January 2019 on transition to IFRS 16 (note 4(iii)(b))	36.2
Additions	2.3
Disposals	(1.4)
Interest expense related to lease liabilities	1.5
Repayment of lease liabilities (including interest)	(13.3)
Balance at 31 December 2019	**25.3**
Included within current liabilities	10.8
Included within non-current liabilities	14.5

The lease liabilities are secured by the related right-of-use assets.

Amounts recognised in the combined income statement

The following amounts have been recognised in the combined income statement under IFRS 16.

	Year ended 31 December 2019
	£million
Depreciation of right-of-use assets (note 15)	11.8
Low-value, short term and variable lease expenses (note 8)	18.4
Operating profit impact	**30.2**
Interest expense on lease liabilities (note 10)	1.5
Profit before taxation impact	**31.7**

Variable lease payments not recognised in the related lease liability include rentals based on revenue from the use of the underlying asset, usage payments such as excess mileage allowance on vehicles and excess use charges on plant and machinery.

In relation to vehicles, the excess mileage arrangements in place with the lessor cover vehicle mileages tracking at either 10% or more of contracted under and over mileages. Vehicles tracking with mileage either side of these tolerance levels are deemed to be under or over mileage and trigger either additional charges or credits as applicable.

Amounts recognised in the combined statement of cash flows

	Year ended 31 December 2019
	£million
Interest on lease liabilities	1.5
Capital element of lease rental payments	11.8
Low-value, short term and variable lease expenses	18.4
Total cash outflow for leases	31.7

29 Contingent liabilities

Facilities Management is, from time to time, party to claims which arise in the ordinary course of business, for which commercial insurance cover is maintained. There are no material contingent liabilities in relation to third party claims at 31 December 2019, 31 December 2018, 31 December 2017 or 1 January 2017.

Facilities Management has, in the normal course of business, given guarantees covering banking facilities and other borrowings made available to Interserve. The amounts of these contingent liabilities are as follows:

	31 December 2019	31 December 2018	31 December 2017	1 January 2017
	£million			
Contingent liabilities — banking facilities and other borrowings	329.8	372.9	698.4	442.3

30 Related parties

Transactions, assets and liabilities within Facilities Management have been eliminated in this combined carve-out financial information.

Interserve

Transactions and balances with Interserve have been treated as transactions with related parties. Facilities Managements' transactions with Interserve and Interserve's associates and joint ventures in the combined income statement are as follows:

	Sales of goods and services			Purchases of goods and services		
	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
	£million			*£million*		
With Interserve companies	—	—	—	24.3	25.8	20.8
With Interserve associates	0.1	0.1	0.1	—	—	—
With Interserve joint ventures	2.6	2.9	9.7	—	—	—

Included within purchases of goods and services from Interserve companies is an amount of £11.0 million *(31 December 2018: £11.0 million; 31 December 2017: £12.6 million)* in relation to the allocation of Interserve corporate central costs (see note 1.5 and note 7).

	Interest income (note 10)			Interest expense (note 10)		
	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
	£million			*£million*		
With Interserve companies	7.1	9.0	9.9	(13.2)	(17.3)	(18.8)

The amounts outstanding with Interserve companies and Interserve's associates and joint ventures in the combined statement of financial position are as follows:

	Amounts due from related parties (note 19)				Amounts due to related parties (notes 21 and 22)			
	31 December 2019	31 December 2018	31 December 2017	1 January 2017	31 December 2019	31 December 2018	31 December 2017	1 January 2017
	£million				*£million*			
With Interserve companies – Trading	5.3	2.9	7.9	3.8	8.4	2.6	9.0	9.0
With Interserve companies – Loans – non-current	257.2	238.1	305.1	306.1	320.7	388.9	400.0	413.9
With Interserve companies – Loans – current	110.7	111.4	115.0	114.0	165.7	124.5	122.2	122.2
With Interserve associates	—	—	0.1	0.8	—	—	—	—
With Interserve joint ventures	0.9	1.1	0.6	0.5	—	—	—	—
Total	**374.1**	**353.5**	**428.7**	**425.2**	**494.8**	**516.0**	**531.2**	**545.1**

Loan amounts due from/to Interserve are classified as current or non-current based on their repayment dates (see notes 19 and 22). The non-current loan amounts due from Interserve accrue interest at a rate of 3%, and the non-current loan amounts due to Interserve accrue interest at a rate of 4%.

The following amounts are recognised as equity transactions with Interserve in the combined statement of changes in equity and combined statement of cash flows.

	Note	31 December 2019	31 December 2018	31 December 2017
			£million	
Allocation of corporate costs	*1.5*	11.0	11.0	12.6
Impact of excluded operations	*1.1*	(0.5)	(2.3)	—
Net tax impact of the above		(1.6)	(1.7)	(2.4)
Recognised in combined statement of changes in equity		**8.9**	**7.0**	**10.2**
Allocated within cash flows from operating activities				
Allocation of corporate costs		(11.0)	(11.0)	(12.6)
Net tax impact		1.6	1.7	2.4
		(9.4)	(9.3)	(10.2)
Non-cash movements (movement on loans due from/to Interserve)				
On excluded operations	*27*	—	(2.6)	—
Recognised in combined statement of changes in cash flows		**(0.5)**	**(4.9)**	**—**

Other related party transactions

Transactions between Facilities Management and its joint ventures and associates are disclosed below.

	Sales of goods and services		
	Year ended 31 December 2019	**Year ended 31 December 2018**	**Year ended 31 December 2017**
		£million	
With associated undertakings	0.6	0.7	1.8

	Amounts due from related parties (note 19)			
	31 December 2019	**31 December 2018**	**31 December 2017**	**1 January 2017**
		£million		
With associated undertakings	0.1	0.3	0.5	0.7
With joint ventures	0.1	—	—	—
	0.2	0.3	0.5	0.7

Key management personnel remuneration

Interserve's key management personnel are the directors of Interserve Plc (up to it being placed into administration on 15 March 2019) and the directors of Interserve Group Limited (from 15 March 2019).

Facilities Management's key personnel are the key management personnel of Interserve. Their remuneration has been allocated to Facilities Management based on the ratio of Facilities Management's revenue to Interserve's consolidated revenue.

Facilities Management believes this is a reasonable basis of allocation and reflects the benefit received by Facilities Management. The total key management personnel remuneration for Facilities Management is £1.9 million *(31 December 2018: £1.5 million; 31 December 2017: £1.3 million)*.

31 Events after the reporting period

COVID-19

On 30 January 2020 the World Health Organisation declared the outbreak of coronavirus (COVID-19), a pandemic resulting in the governments of many countries, states and cities taking preventative and protective actions such as imposing restrictions on travel and business operations and advising or requiring individuals to stay at home or quarantine in cases where people have been exposed to the virus.

In an effort to mitigate the impacts of COVID-19, Facilities Management has implemented business continuity plans with only key front line staff working in its offices and at customer contract locations and as far as possible the remainder of its staff working from home which has meant that there has been limited impact on service delivery and operations.

Facilities Management has undertaken a detailed review of the potential impacts of COVID-19 and continues to monitor developments closely. At the date of this report the impact of COVID-19 has predominantly been short-term reductions in revenue as a result of customer site closures, reductions in services and delays to the commissioning of project work, both in the public and private sectors, partially offset by additional services requested in sectors such as health and by some central government customers.

Facilities Management has concluded that the coronavirus pandemic is a non-adjusting post balance sheet event in accordance with IAS 10 *Events After the Reporting Period*, as the significant changes in business activities and economic conditions occurred as a result of events arising after 31 December 2019.

Cyber incident

The Interserve Group experienced a cyber incident on 2 May 2020 which had a significant impact on a number of the Group's operating IT systems, including those of Facilities Management. On becoming aware of the Interserve Group's cyber-attack, Interserve Group's crisis response was immediately launched, and its business continuity plans were implemented. There has been no material impact on the provision of services to Facilities Management's customers. As of 24 August 2020, the remediation work carried out across the Interserve Group, including Facilities Management, had been completed such that Facilities Management believes that there is no residual remaining threat as a result of this incident.

The Interserve Group is conducting a comprehensive investigation into the attack and its remediation measures are ongoing, progressing well and in line with expectations. This main investigation concluded on 7 September 2020 as per plan. The investigation has identified no evidence of data exfiltration having taken place.

The Interserve Group, including Facilities Management, complied with all its notification obligations under applicable data privacy law, including to the Information Commissioners Office (ICO) and is co-operating fully with the ICO's investigation. The Interserve Group understands that the ICO has indicated that it may take regulatory proceedings, which may ultimately lead to a monetary penalty and/or enforcement action against the Interserve Group, including Facilities Management, the results of which cannot currently be foreseen or estimated reliably.

The Share Purchase Agreement entered into for the Transaction gives Mitie the benefit of indemnity protection provided by How Group Limited which is expected to be sufficient to cover any penalty imposed by the ICO, however, the results of the ICO investigation cannot be predicted and Mitie and Facilities Management may be liable to pay a penalty that exceeds the level of indemnity cover (being £40 million).

32 Use of non-GAAP measures

This Prospectus presents certain financial measures when discussing Facilities Management's performance which are not measures of financial performance under Adopted IFRSs. In Facilities Management's view these measures provide investors and other users with an enhanced understanding of Facilities Management's operating performance and profitability. These measures do not have standardised meanings under Adopted IFRSs, and groups do not necessarily calculate these in the same way. Accordingly, they should be viewed as complementary to, and not as a substitute for, the measures prescribed by Adopted IFRSs and as included in this combined carve-out financial information.

The financial measure disclosed in this Prospectus is Adjusted EBITDA, which is defined as follows;

- EBITDA (before other items) – defined as profit from continuing operations (before other items) before interest, tax, depreciation, amortisation and loss on disposal of property, plant and equipment and other intangible assets;
- adjusted for Facilities Management's share of its joint ventures' and associates' interest, tax, depreciation and amortisation.

In the 'Proposed Acquisition of Interserve Facilities Management' announcement by Mitie on 25 June 2020 ('the Announcement'), it was stated that for the year ended 31 December 2019, the operating profit (before other items) of Facilities Management was £38 million, and its Adjusted EBITDA was £43 million.

For the purpose of the Announcement, Landmarc was treated as a subsidiary with a 49% minority interest, consistent with how the financial performance of Landmarc is monitored by Facilities Management for internal reporting purposes. As a result, 100% of Landmarc's operating profit (before other items) was included in total operating profit (before other items) of Facilities Management. Accordingly, Adjusted EBITDA was stated after deduction of the minority interest's share of Landmarc's profit for the year.

This combined carve-out financial information discloses a total operating profit (before other items) of £34.0 million, with Facilities Management's interest in Landmarc being equity-accounted as a 51% owned joint venture in accordance with IFRS 11 Joint Arrangements (see note 16). As a result, 51% of Landmarc's profit after tax (before other items) is included in the total operating profit (before other items) of Facilities Management.

Reconciliations

Reconciliation from total operating profit (the most directly related Adopted IFRSs measure) to Adjusted EBITDA are shown below, incorporating a reconciliation from the figures disclosed in the Announcement and the figures disclosed in this Prospectus.

	Total operating profit (before other items)[1]	**Depreciation, amortisation, impairment and loss on disposal[2]**	**Facilities Management's share of joint ventures' and associates' interest, tax, depreciation and amortisation[4]**	**Minority interest**	**Adjusted EBITDA**
			£million		
As disclosed in the Announcement.........	38.4	9.0	—	(4.1)	43.3
Impact of classification of Landmarc as a joint venture[3]	(6.0)	(0.7)	1.2	4.4	(1.1)
Adjustments other than IFRS 16 *Leases*	0.1	—	—	(0.3)	(0.2)
As reported prior to adoption of IFRS 16 *Leases*......................................	**32.5**	**8.3**	**1.2**	—	**42.0**
Impact of adoption of IFRS 16 *Leases*[5] .	1.5	11.3	—	—	12.8
As reported in this combined carve-out financial information	**34.0**	**19.6**	**1.2**	**—**	**54.8**

1 – Other items consist of non-underlying items, amortisation of acquired intangible assets and impairment of goodwill, as described in note 7.

2 – See notes 12, 13, 14 and 15, excluding depreciation, amortisation and impairment shown as 'other items' (see note 7). This column also includes loss on disposal of property, plant and equipment (of £0.3 million in 2019) and loss on disposal of intangible assets (of £0.5 million in 2019).

3 – The figures disclosed in the announcement by Mitie on 25 June 2020 included Landmarc Support Services Limited (including Landmarc Gulf Consultancy Management LLC) (together 'Landmarc') as a controlled subsidiary, which was fully consolidated (with a 49% minority interest), consistent with how the financial performance of Landmarc is monitored by Facilities Management for internal reporting purposes. In accordance with IFRS 11 *Joint Arrangements*, Landmarc is included in this combined carve-out financial information as a joint venture, and hence recognised using the equity-accounting method.

4 – In accordance with the equity-accounting method, Facilities Management's share of joint ventures' and associates' profit after tax is shown within total operating profit. An adjustment has therefore been made to remove Facilities Management's share of joint ventures' and associates' interest, tax and depreciation expenses when calculating Adjusted EBITDA.

5 – The announcement by Mitie on 25 June 2020 was on a pre-IFRS 16 basis; whereas IFRS 16 has been applied from 1 January 2019 in this combined carve-out financial information. This has resulted in certain operating lease rental costs previously recognised in operating profit being replaced by a depreciation charge (recognised in operating profit) and an interest charge (recognised below operating profit).

SECTION B: ACCOUNTANT'S REPORT ON INTERSERVE FACILITIES MANAGEMENT HISTORICAL FINANCIAL INFORMATION

BDO LLP
55 Baker Street
London
W1U 7EU

The Directors
Mitie Group plc
35 Duchess Road
Rutherglen
Glasgow
G73 1AU

4 November 2020

Jefferies International Limited
100 Bishopsgate
London
EC2N 4JL

Dear Sir or Madam

Interserve Facilities Management

Introduction

We report on the financial information set out in Section A of Part XII. This financial information has been prepared for inclusion in the combined circular and prospectus dated 4 November 2020 of Mitie Group plc (the "Company") (the "Combined Document") on the basis of the accounting policies set out in notes 1 and 2 to the financial information. This report is required by item 13.5.21R of the Listing Rules and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

The directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules and item 1.3 of Annex 3 of the Prospectus Delegated Regulation, consenting to its inclusion in the Combined Document.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Combined Document, a true and fair view of the state of affairs of Interserve Facilities Management as at 31 December 2017, 31 December 2018 and 31 December 2019 and of its results, cash flows and changes in equity for the years then ended in accordance with the basis of preparation set out in note 1 to the financial information and has been prepared in a form that is consistent with the accounting policies adopted in the Company's latest annual accounts.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.2R(2)(f) we are responsible for this report as part of the Combined Document and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and makes no omission likely to affect its import. This declaration is included in the Combined Document in compliance with item 1.2 of Annex 3 of the Prospectus Delegated Regulation.

Yours faithfully

BDO LLP
Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

PART XIII

CAPITALISATION AND INDEBTEDNESS

The following tables set out Mitie's capitalisation and indebtedness as at the dates indicated. The following tables do not reflect the impact of the Acquisition.

The table below sets out the consolidated gross indebtedness and capitalisation of Mitie as at 31 August 2020.

	As at 31 August 2020
	(£ million)
Current debt	
Unguaranteed/unsecured	23.8
Non-current debt (excluding current portion of long-term debt)	
Guaranteed [(1)(2)]	156.5
Unguaranteed/unsecured	65.0
Total non-current debt	221.5

	As at 31 August 2020
	(£ million)
Shareholders' equity	
Share capital	29.4
Share premium	130.6
Other reserves	111.2
Total shareholders' equity	271.2

Notes:

(1) Guaranteed non-current debt includes £168.8 million of US private placement notes, of which £113.8 million is denominated in USD offset by a £17.9 million assets for derivative financial instruments hedging those USD denominated notes.

(2) Guaranteed non-current debt includes offset of £3.4 million of upfront fees against debt balances.

The following table sets out the consolidated net indebtedness of Mitie as at 31 August 2020:

	As at 31 August 2020
	(£ million)
Cash and cash equivalents	314.9
Liquidity	**314.9**
Current lease liabilities	(23.8)
Current financial debt	**(23.8)**
Net current financial liquidity	**291.1**
Bank loans [(3)]	(6.3)
Private placement notes [(4)]	(150.2)
Non-current lease liabilities	(65.0)
Non-current financial indebtedness	**(221.5)**
Net financial liquidity	**69.6**

Notes:

(3) Bank loans include an offset of £2.7 million of upfront fees against debt balances of £9.0 million.

(4) US private placement notes comprise a debt balance of £168.8 million: £55.0 million in GBP, £113.8 million (GBP equivalent) denominated in USD. This balance is offset by £17.9 million assets for derivative financial instruments hedging those USD denominated notes and £0.7 million of upfront fees.

The Group also participates in an invoice discounting facility (£64.1 million at 31 August 2020) and a supply chain finance facility (£6.5 million at 31 August 2020), however these are not considered part of the Group's indebtedness.

PART XIV

UNAUDITED PRO FORMA FINANCIAL INFORMATION

SECTION A: UNAUDITED PRO FORMA FINANCIAL INFORMATION OF MITIE GROUP PLC

The unaudited *pro forma* statement of net assets and unaudited *pro forma* income statement contained in this section (together, the "**Unaudited Pro Forma Financial Information**") are intended to illustrate the impact of the Acquisition and the Rights Issue (i) on the consolidated net assets of Mitie as at 31 March 2020 as if they had taken place at that date and (ii) on the consolidated income statement of Mitie for the year ended 31 March 2020 as if they had taken place on 1 April 2019.

The Unaudited *Pro Forma* Financial Information has been prepared for illustrative purposes only and illustrates the impact of the Acquisition and Rights Issue as if they had been undertaken at a hypothetical earlier date. As a result, the hypothetical financial position or results included in the Unaudited *Pro Forma* Financial Information may differ from Mitie Group plc's actual financial position or results.

The Unaudited *Pro Forma* Financial Information is based on the consolidated financial information of Mitie for the year ended 31 March 2020 and the historical financial information of Interserve Facilities Management for the year ended 31 December 2019 and compiled on the basis set out in the notes to the Unaudited *Pro Forma* Financial Information.

The Unaudited *Pro Forma* Financial Information has been prepared in accordance with the requirements of Sections 1 and 2 of Annex 20 of the Prospectus Delegated Regulation and does not constitute financial statements within the meaning of section 434 of the Companies Act 2006. Shareholders should read the whole of this document and not rely solely on the Unaudited *Pro Forma* Financial Information in this Part XIV. BDO LLP's report on the Unaudited *Pro Forma* Financial Information is set out in Section B of this Part XIV.

Pro forma statement of net assets

	Mitie consolidated net assets as at 31 March 2020[1]	Adjustments: Interserve Facilities Management combined net assets as at 31 December 2019[2]	Adjustments: Acquisition of Interserve Facilities Management [3][4]	Adjustments: Proceeds from the Rights Issue[5]	Pro forma consolidated net assets
	(£ millions, unless stated otherwise)				
Non-current assets					
Goodwill	278.9	245.3	(42.3)	—	481.9
Other intangible assets	50.6	13.2	—	—	63.8
Property, plant and equipment	110.8	31.1	—	—	141.9
Investments in associates and joint ventures	—	11.3	—	—	11.3
Derivative financial instruments	28.0	—	—	—	28.0
Trade and other receivables	3.3	257.2	(257.2)	—	3.3
Contract assets	3.2	—	—	—	3.2
Deferred tax assets	32.6	11.2	—	—	43.8
Total non-current assets	**507.4**	**569.3**	**(299.5)**	**—**	**777.2**
Current assets					
Inventories	4.8	6.0	—	—	10.8
Trade and other receivables	403.1	330.9	(110.7)	—	623.3
Contract assets	1.6	—	—	—	1.6
Derivative financial instruments	0.2	—	—	—	0.2
Current tax assets	1.1	—	—	—	1.1
Cash and cash equivalents	124.6	148.6	(276.5)	190.4	187.1
Total current assets	**535.4**	**485.5**	**(387.2)**	**190.4**	**824.1**
Total assets	**1,042.8**	**1,054.8**	**(686.7)**	**190.4**	**1,601.3**
Current liabilities					
Trade and other payables	(487.0)	(217.0)	—	—	(704.0)
Deferred income	(35.9)	(29.3)	—	—	(65.2)
Current tax liabilities	—	(0.2)	—	—	(0.2)
Financing liabilities	(24.3)	(262.7)	251.9	—	(35.1)
Provisions	(41.4)	(8.1)	—	—	(49.5)
Total current liabilities	(588.6)	(517.3)	251.9	—	(854.0)
Net current (liabilities)/assets	(53.2)	(31.8)	(135.3)	190.4	(29.9)
Non-current liabilities					
Trade and other payables	(0.3)	(2.2)	—	—	(2.5)
Deferred income	(15.6)	(15.7)	—	—	(31.3)
Financing liabilities	(296.4)	(335.2)	320.7	—	(310.9)
Provisions	(11.8)	(5.9)	—	—	(17.7)
Retirement benefit liabilities	(46.7)	(2.3)	—	—	(49.0)
Deferred tax liabilities	(2.9)	—	—	—	(2.9)
Total non-current liabilities	**(373.7)**	**(361.3)**	**320.7**	**—**	**(414.3)**
Total liabilities	**(962.3)**	**(878.6)**	**572.6**	**—**	**(1,268.3)**
Net assets	**80.5**	**176.2**	**(114.1)**	**190.4**	**333.0**
Net debt[6]	(167.9)	(81.4)	(71.8)	190.4	(130.7)

Notes:

(1) The information in this column has been extracted without adjustment from Mitie Group plc's audited consolidated financial statements for the year ended 31 March 2020.

(2) The information in this column has been extracted without adjustment from the Interserve Facilities Management Historical Financial Information, set out in Part XII of this document.

(3) An adjustment has been made to reflect the estimated goodwill arising on the Acquisition.

For the purposes of this *pro forma* information, no adjustment has been made to the separate assets and liabilities of Interserve Facilities Management to reflect their fair value. The difference between the *pro forma* net assets acquired as stated at their book value at 31 December 2019 and the consideration for the Acquisition has therefore been presented as a single value in Goodwill. The net assets of Interserve Facilities Management acquired will be subject to a fair value restatement as at the effective date of the Acquisition. Actual intangible assets included in Mitie Group plc's next published consolidated financial statements may therefore be materially different from that included in the *Pro forma* statement of net assets.

The estimated consideration for Interserve Facilities Management is approximately £190.0 million based on the closing price of the Company's shares on 30 October 2020, being the latest practicable date prior to publication of this document. The consideration has been determined on the basis that Interserve Facilities Management will be acquired debt-free, cash-free and with an agreed normalised level of working capital at completion. The cash consideration will be adjusted for any cash or debt (including debt-like balances) and variance to the agreed normalised level of working capital as at the date of completion, based on a customary completion accounts mechanism. The consideration included in Mitie Group plc's next published consolidated financial statements may therefore be materially different from that included in the pro forma statement of net assets.

	£ millions
Consideration payable in cash	120.0
Number of Consideration Shares to be issued	248,396,183
Multiplied by market price of each Mitie Group plc Share on 30 October 2020 (pence)	28.20
Consideration payable in Company shares	70.0
Total consideration for the Acquisition	190.0
Less: Book value of net assets of Interserve Facilities Management as at 31 December 2019	
Interserve Facilities Management net assets	176.2
Cash and cash equivalents not acquired	(148.6)
Bank overdrafts not acquired	86.2
Net loans due to Interserve not acquired	118.5
Goodwill derecognised	(245.3)
Pro forma net liabilities acquired	(13.0)
Estimated goodwill arising on the Acquisition (before fair value adjustments to assets and liabilities)	203.0
Pro forma adjustment to Goodwill (before fair value adjustments to assets and liabilities)	**(42.3)**

(4) The adjustment in cash and cash equivalents comprises the consideration payable in cash of £120.0 million and estimated transaction costs of £7.9 million, inclusive of irrecoverable VAT (where applicable) and removal of Interserve Facilities Management cash not acquired of £148.6 million.

The adjustment to Trade and other receivables (Current and Non-current), totalling £367.9 million, represents the removal of loan amounts due from Interserve, which will be settled at completion of the Acquisition.

The adjustment to Financing liabilities (Current and Non-current), totalling £572.6 million, represents the removal of loan amounts due to Interserve of £486.4 million and bank overdrafts of £86.2 million, which will be settled at completion of the Acquisition.

(5) The adjustment in this column reflects the proceeds of £201.3 million from the Rights Issue, which was announced on 25 June 2020, net of estimated transaction costs of £10.9 million and irrecoverable VAT (where applicable).

(6) Pro forma net debt has been calculated as follows:

	Mitie consolidated net assets as at 31 March 2020	Interserve Facilities Management combined net assets as at 31 December 2019	Acquisition of Interserve Facilities Management	Proceeds from the Rights Issue	Pro forma consolidated net assets
	(£ millions, unless stated otherwise)				
Cash and cash equivalents	124.6	148.6	(276.5)	190.4	187.1
Bank overdrafts	—	(86.2)	86.2	—	—
Bank loans – under committed facilities	(49.0)	—	—	—	(49.0)
Net loans due to Interserve	—	(118.5)	118.5	—	—
Private placement notes	(177.9)	—	—	—	(177.9)
Derivative financial instruments hedging private placement notes	28.2	—	—	—	28.2
Lease liabilities	(93.8)	(25.3)	—	—	(119.1)
Net debt	**(167.9)**	**(81.4)**	**(71.8)**	**190.4**	**(130.7)**

(7) No account has been taken of the financial performance of Mitie since 31 March 2020, of the financial performance of Interserve Facilities Management since 31 December 2019, nor of any other event save as disclosed above.

Pro forma income statement

	Mitie consolidated income statement for the year ended 31 March 2020(1)			Interserve Facilities Management combined income statement for the year ended 31 December 2019(2)			Acquisition and Rights Issue adjustments(3)(4)			*Pro forma* consolidated income statement		
	Before other items	Other items(5)	Total	Before other items	Other items(5)	Total	Before other items	Other items(5)	Total	Before other items	Other items(5)	Total
	(£ millions, unless stated otherwise)											
Continuing operations												
Revenue including share of associates and joint ventures	2,173.7	—	2,173.7	1,310.1	46.5	1,356.6	—	—	—	3,483.8	46.5	3,530.3
Less: share of associates and joint ventures	—	—	—	(78.1)	—	(78.1)	—	—	—	(78.1)	—	(78.1)
Revenue	2,173.7	—	2,173.7	1,232.0	46.5	1,278.5	—	—	—	3,405.7	46.5	3,452.2
Cost of sales	(1,886.2)	—	(1,886.2)	(1,154.1)	(46.9)	(1,201.0)	—	—	—	(3,040.3)	(46.9)	(3,087.2)
Gross profit	287.5	—	287.5	77.9	(0.4)	77.5	—	–	–	365.4	(0.4)	365.0
Administrative expenses	(201.4)	(21.5)	(222.9)	(49.1)	(61.4)	(110.5)	—	(7.9)	(7.9)	(250.5)	(90.8)	(341.3)
Operating profit/(loss) – before results of associates and joint ventures	86.1	(21.5)	64.6	28.8	(61.8)	(33.0)	—	(7.9)	(7.9)	114.9	(91.2)	23.7
Share of results of associates and joint ventures	—	—	—	5.2	—	5.2	—	—	—	5.2	—	5.2
Total operating profit/(loss)	86.1	(21.5)	64.6	34.0	(61.8)	(27.8)	—	(7.9)	(7.9)	120.1	(91.2)	28.9
Finance income	0.4	—	0.4	7.1	—	7.1	—	—	—	7.5	—	7.5
Finance costs	(16.6)	—	(16.6)	(15.1)	—	(15.1)	—	—	—	(31.7)	—	(31.7)
Net finance costs	(16.2)	—	(16.2)	(8.0)	—	(8.0)	—	—	—	(24.2)	—	(24.2)
Profit/(loss) before tax	69.9	(21.5)	48.4	26.0	(61.8)	(35.8)	—	(7.9)	(7.9)	95.9	(91.2)	4.7
Tax	(11.9)	4.0	(7.9)	(10.8)	4.7	(6.1)	—	—	—	(22.7)	8.7	(14.0)
Profit/(loss) from continuing operations after tax	58.0	(17.5)	40.5	15.2	(57.1)	(41.9)	—	(7.9)	(7.9)	73.2	(82.5)	(9.3)
Discontinued operations												
Profit from discontinued operations	2.3	47.7	50.0	—	—	—	—	—	—	2.3	47.7	50.0
Profit/(loss) for the year	**60.3**	**30.2**	**90.5**	**15.2**	**(57.1)**	**(41.9)**	—	**(7.9)**	**(7.9)**	**75.5**	**(34.8)**	**40.7**

Notes:

(1) The information in this column has been extracted without adjustment from Mitie Group plc's audited consolidated financial statements for the year ended 31 March 2020.

(2) The information in this column has been extracted without adjustment from the historical financial information of Interserve Facilities Management, set out in Part IV of this document.
(3) A fair value exercise of the assets and liabilities acquired, including a valuation of the intangible assets, has not yet been performed, but will be undertaken following completion of the Acquisition to identify individual intangible assets and make any fair value adjustments required. On this basis, no amortisation charge has been made in the *pro forma* income statement.
(4) An adjustment of £7.9 million has been made to administrative expenses to reflect the estimated transaction costs payable in respect of the Acquisition, inclusive of irrecoverable VAT (where applicable). All costs that relate solely to the Acquisition have been expensed in accordance with IFRS 3 Business Combinations. These costs shall be included in Mitie Group plc's consolidated financial statements for the year ending 31 March 2021. The estimated transaction costs payable of £10.9 million in respect of the Rights Issue have been recognised directly in Equity in accordance with Mitie Group plc's accounting policies.
(5) Mitie Group plc 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 as other items, together with their related tax effect. The *pro forma* adjustments are analysed in this format in the *Pro forma* income statement.
(6) The adjustments set out above are all expected to have continuing impact on Mitie, save for the transaction costs payable in respect of the Acquisition.
(7) No account has been taken of the financial performance of Mitie since 31 March 2020, of the financial performance of Interserve Facilities Management since 31 December 2019, nor of any other event save as disclosed above
(8) The table below sets forth a reconciliation of *pro forma* Adjusted EBITDA with pro forma operating profit:

	Mitie consolidated income statement for the year ended 31 March 2020[1]			**Interserve Facilities Management combined income statement for the year ended 31 December 2019[2]**			**Acquisition and Rights Issue adjustments**			***Pro forma* consolidated income statement**		
	Before other items	**Other items**	**Total**	**Before other items**	**Other items**	**Total**	**Before other items**	**Other items**	**Total**	**Before other items**	**Other items**	**Total**
	(£ millions, unless stated otherwise)											
Total operating profit/(loss)	86.1	(21.5)	64.6	34.0	(61.8)	(27.8)	—	(7.9)	(7.9)	120.1	(91.2)	28.9
Operating profit from discontinued operations	2.8	(1.3)	1.5	—	—	—	—	—	—	2.8	(1.3)	1.5
Depreciation, amortisation & impairment	43.9	3.1	47.0	19.6	40.7	60.3	—	—	—	63.5	43.8	107.3
EBITDA	**132.8**	**(19.7)**	**113.1**	**53.6**	**(21.1)**	**32.5**	**—**	**(7.9)**	**(7.9)**	**186.4**	**(48.7)**	**137.7**
Associate and joint venture adjustment[(a)]	—			1.2			—			1.2		
Adjusted EBITDA	132.8			54.8						187.6		
IFRS 16 EBITDA adjustment	(24.8)			(12.8)			—			(37.6)		
Adjusted EBITDA (pre-IFRS16 basis)	**108.0**			**42.0**			—			**150.0**		

(a) Total operating profit before other items includes the group's share of associates' and joint ventures' profit after tax. Adjusted EBITDA is intended to exclude all depreciation, interest and tax, and therefore an adjustment has been made to eliminate the group's share of these components that have been reflected in the group's share of associates' and joint ventures' profit after tax.

SECTION B: ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

BDO LLP
55 Baker Street
London
W1U 7EU

The Directors
Mitie Group plc
35 Duchess Road
Rutherglen
Glasgow
G73 1AU

4 November 2020

Jefferies International Limited
100 Bishopsgate
London
EC2N 4JL

Dear Sir or Madam

Mitie Group plc (the "Company")

Pro forma financial information

We report on the unaudited *pro forma* statement of net assets and unaudited *pro forma* income statement (together, the "Unaudited *Pro Forma* Financial Information") set out in Section A of Part XIV of the combined circular and prospectus dated 4 November 2020 (the "Combined Document") which has been prepared on the basis described, for illustrative purposes only, to provide information about how the Acquisition and the Rights Issue might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 31 March 2020.

This report is required by paragraph 13.3.3R of the listing rules made by the Financial Conduct Authority for the purposes of part VI of the Financial Services and Markets Act 2000 (the "Listing Rules") and item 11.5 of Annex 3 of the Prospectus Delegated Regulation and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the "Directors") to prepare the Unaudited *Pro Forma* Financial Information in accordance with item 13.3.3R of the Listing Rules and item 11.5 of Annex 3 of the Prospectus Delegated Regulation.

It is our responsibility to form an opinion, as required by section 3 of Annex 20 of the Prospectus Delegated Regulation, as to the proper compilation of the Unaudited *Pro Forma* Financial Information and to report that opinion to you.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules and item 1.3 of Annex 3 of the Prospectus Delegated Regulation, consenting to its inclusion in the Combined Document.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Unaudited *Pro Forma* Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited *Pro Forma* Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Unaudited *Pro Forma* Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Unaudited *Pro Forma* Financial Information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.2R(2)(f) we are responsible for this report as part of the Combined Document and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and makes no omission likely to affect its import. This declaration is included in the Combined Document in compliance with item 1.2 of Annex 3 of the Prospectus Delegated Regulation.

Yours faithfully

BDO LLP
Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

PART XV

ADDITIONAL INFORMATION

1 Responsibility Statement

The Company and the Directors, whose names and principal functions are set out in paragraph 6 below, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors, the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.

2 Incorporation and Registered Office

The Company was incorporated and registered in Scotland on 16 July 1936 as a private company limited by shares under the Companies Act 1929, with registered number SC019230 and with the name Hugh Highgate & Company Limited. The Company changed its name to Highgate & Job Limited on 7 April 1960 and again to Highgate & Job Group Limited on 1 April 1966. The Company was re-registered on 16 February 1982 as a public company limited by shares under the Companies Acts 1948 and 1980 with the name Highgate & Job Group plc. The Company subsequently changed its name to Mitie Group plc on 5 October 1989.

The Company is domiciled in the United Kingdom and its registered office is located at 35 Duchess Road, Rutherglen, Glasgow G73 1AU. The Company's main telephone number is +44 (0) 330 678 0710.

The principal legislation under which the Company operates, and under which the Consideration Shares will be created, is the Companies Act 2006 and regulations made thereunder.

The Shares are listed on the Official List of the FCA and admitted to trading on the main market of the London Stock Exchange. The ISIN of the Shares is GB0004657408.

3 Share Capital

3.1 Issued Share Capital

3.1.1 As at 29 October 2020 (being the latest practicable date prior to the date of this document), the issued share capital of the Company was £29,468,873.38, comprising 1,178,754,935 Shares, all of which were fully paid or credited as fully paid. The Shares have a nominal value of 2.5 pence each and are admitted to the premium listing segment of the Official List and admitted to trading on the London Stock Exchange's main market for listed securities, respectively. Of this number, 7,744,359 were registered as treasury shares, representing 0.7 per cent. of the issued share capital of the Company (excluding such treasury shares) and leaving a balance of 1,171,010,576 Shares with voting rights.

3.1.2 If Completion occurs, it will result in the issue of 248,396,183 Consideration Shares to the Seller (or, pursuant to the terms of the Share Box Agreement, to the DAC SPV), which will result in the Seller holding, in aggregate, approximately 17.5 per cent.[1] of the enlarged issued share capital of the Company and existing Shareholders of the Company suffering an immediate dilution following which they will hold approximately 82.5 per cent. of the enlarged issued share capital of the Company (in each case, excluding treasury shares and assuming no other Shares are issued by the Company prior to Admission).

3.1.3 Immediately following the issue of the Consideration Shares on Admission, the issued and fully paid share capital of the Company will consist of 1,427,151,118 Shares (including treasury shares) of 2.5 pence each, with an aggregate nominal value of £35,678,777.95 (assuming no other Shares are issued by the Company prior to Admission).

3.1.4 There are no convertible securities, exchangeable securities or securities with warrants in the Company.

3.1.5 There are no acquisition rights or obligations in relation to the issue of Shares in the capital of the Company or an undertaking to increase the capital of the Company.

---

1 A certain portion of the Consideration Shares (equal to £40 million in market value, as at the close of business on the date falling two business days prior to Completion) will be issued to the DAC SPV (as opposed to How Group) as Share Box Shares and become subject to the terms of the Share Box Agreement, pursuant to which they could be returned or delivered to the Company. For such time as the Share Box Shares are held by the DAC SPV, the voting rights attaching to those Shares will be exercised by How Group, and How Group will be able to extract amounts in respect of dividends (subject to certain restrictions under the Share Box Agreement).

3.1.6 The table set out below shows the issued and fully paid share capital of the Company as at 29 October 2020 (being the latest practicable date prior to the date of this document) and as it is expected to be immediately following Admission:

	Shares in issue as at 29 October 2020[(1)]		Shares in issue immediately following Admission[(1)(2)]	
	Number	**£**	**Number**	**£**
Shares in issue	1,171,010,576	29,275,264.40	1,419,406,759	35,485,168.98

Note:

(1) Excludes 7,744,359 Shares held in treasury.

(2) On the assumption that no further Shares are issued as a result of the exercise of any options or awards vesting under any Employee Share Plans between 29 October 2020 (being the latest practicable date prior to the date of this document) and Admission becoming effective.

3.2 Share Capital Authorities

3.2.1 Pursuant to the Acquisition, 248,396,183 Consideration Shares will be issued. Details of the resolutions, authorisations and approvals by virtue of which the Consideration Shares will be issued are set out in the Notice of General Meeting in Part XVIII of this document. The Acquisition will not proceed and the Consideration Shares will not be issued if the Resolutions are not passed.

3.2.2 The Company remains subject to the continuing obligations of the Listing Rules with regard to the issue of securities for cash, and the provisions of section 561 of the Companies Act 2006 (which confers on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash), apply to the issued share capital of the Company which is not the subject of the disapplication approved by the Shareholders in a general meeting of the Company.

4 Information on the New Consideration Shares

4.1 Description of the type and class of securities admitted

The Consideration Shares will be ordinary shares with a nominal value of 2.5 pence each. The ISIN of the Consideration Shares will be GB0004657408. The Consideration Shares will be created under the Companies Act 2006 and the Articles of Association. Following Admission, the Company will have one class of ordinary shares.

The Consideration Shares will be credited as fully paid and free from all liens, equities, charges, encumbrances and other interests, and will rank in full for all dividends and distributions on the ordinary share capital of the Company declared, made or paid with reference to a record date falling on or after the date of Completion.

4.2 Listing

Application will be made to the FCA for the Consideration Shares to be admitted to the premium segment of the Official List. Application will also be made to the London Stock Exchange for the Consideration Shares to be admitted to trading on its main market for listed securities. It is expected that Admission will become effective, and that dealings in the Consideration Shares will commence on the London Stock Exchange, by no later than 8.00 a.m. on the Business Day immediately following the date of Completion, which is expected to occur prior to 2021. Admission to trading of the Consideration Shares is not being sought on any stock exchange other than the London Stock Exchange.

4.3 Form and currency of the Consideration Shares

The Consideration Shares will be issued in registered form and will be capable of being held in certificated and uncertificated form.

Title to the certificated Consideration Shares will be evidenced by entry in the register of members of the Company and title to uncertificated Consideration Shares will be evidenced by entry in the operator register maintained by Euroclear (which forms part of the register of members of the Company). The Registrar of the Company is Link Asset Services Limited.

No share certificates will be issued in respect of the Consideration Shares in uncertificated form. If any such shares are converted to be held in certificated form, share certificates will be issued in respect of those Consideration Shares in accordance with the Articles of Association and applicable legislation.

The Consideration Shares will be denominated in pounds sterling.

4.4 Dates of issue and settlement

The Consideration Shares are expected to be issued on the Business Day immediately following the date of Completion, which is expected to occur prior to 2021, and those entitled to the Consideration Shares are expected to be entered on the Company's register of members on that day.

4.5 Description of restrictions on free transferability

Save as set out in this document, the Consideration Shares will be freely transferable.

The Company may, under the Articles of Association and the Companies Act 2006 send out statutory notices to those it knows or has reasonable cause to believe have an interest in its shares, asking for details of those who have an interest and the extent of their interest in a particular holding of shares. When a person receives a statutory notice and fails to provide any information required by the notice within the time specified in it, the Company can apply to the Court for an order directing, amongst other things, that any transfer of the shares which are the subject of the statutory notice is void.

The Directors may also, without giving any reason, refuse to register the transfer of any Shares which are not fully paid.

4.6 Taxation

Investors should be aware that the tax legislation of the investor's jurisdiction and/or the tax legislation of the United Kingdom may have an impact on the income received from the Shares. Investors who are in any doubt as to their tax position should seek independent professional advice on the potential tax consequences of subscribing for, purchasing, holding or selling Shares under the laws of their jurisdiction and/or state of citizenship, domicile or residence.

5 Articles of Association

The Articles of Association of the Company may be found at *https://www.mitie.com/investors/corporate-governance/* and contain, among others, provisions to the following effect:

5.1 Objects and Purpose

The Company's objects are not restricted by its Articles of Association. Accordingly, pursuant to Section 31 of the Companies Act 2006, the Company's objects are unrestricted.

5.2 Limited Liability

The liability of each member is limited to the amount, if any, for the time being unpaid on the shares held by that member.

5.3 Alteration of Share Capital

The provisions of the Articles governing the conditions under which the Company may alter its share capital are no more stringent than the conditions imposed by the Companies Act 2006.

Subject to the Companies Act 2006 and any relevant authority of the Company in a general meeting required by the Companies Act 2006, the Board may allot, grant options over, offer or otherwise deal with or dispose of shares, or rights to subscribe for or convert any security into shares.

5.4 Respective Rights of Different Classes of Shares

Subject to any rights attached to any existing shares, the Company may issue shares with such rights or restrictions as determined by either the Company by ordinary resolution or, so far as the resolution does not make specific provision or if no such resolution has been passed, the Board. The Company may also, subject to legislation applicable to the Company, issue shares which are, or are liable to be, redeemed at the option of the Company or the holder, and the Directors may determine the terms, conditions and manner of redemption of any such shares.

5.5 Voting Rights

At a general meeting, subject to any special rights or restrictions attached to any class of shares, every member present in person and every duly appointed proxy present has, on a show of hands, one vote and on a poll, every member present in person and every duly appointed proxy has one vote for every Share of which he or she is the holder. No member shall be entitled to vote at any general meeting unless all moneys payable by him in respect of the shares in the Company have been fully paid.

Neither Scottish law nor the Articles of Association impose any limitation on the rights of non-UK residents or foreign shareholders to own Shares, including the rights to hold or exercise voting rights on the Shares.

5.6 Variation of Rights

5.6.1 Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class can only be changed as may be provided by those rights or with either:

(a) the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class; or

(b) the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class, duly convened.

5.6.2 The special rights attached to any class of shares are not (unless otherwise expressly provided by the terms conferring such rights) deemed to be varied by the allotment or issue of new shares ranking in all respects equally with them. However, such special rights shall be deemed to be varied or abrogated by the reduction of the capital paid up on such shares or by the allotment of further shares ranking in priority for the payment of a dividend or in respect of capital or which confer on the holders more favourable voting rights than the existing shares.

5.7 Transfers of Shares

5.7.1 Shares may be held in either certificated or uncertificated form.

5.7.2 Transfers of certificated shares must be effected in writing in any usual form or in another form approved by the Board, signed by or on behalf of the transferor and, in the case of a share that is not fully paid, by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect of those shares.

5.7.3 The Board may refuse to register any transfer of a certificated share, unless: the instrument of transfer is: (i) presented for registration to the Company at the Company's registered office (or such other place as the Board may decide) and is properly stamped (if required); (ii) accompanied by the relevant share certificate(s); (iii) accompanied by such other evidence reasonably required by the Board to show the transferor's right to make the transfer or, if the instrument of transfer is executed by some other person on the transferor's behalf, the authority of that person to do so; (iv) in respect of only one class of share and all of those shares are fully paid; (v) in respect of a share or shares over which the Company has no lien; and (vi) in favour of a single transferee or not more than four joint transferees, in each case being a natural or legal person.

5.7.4 Transfers of uncertificated shares may be effected in accordance with the CREST Regulations.

5.7.5 The Board may refuse to register the transfer of an uncertificated share if the transfer is in favour of more than four joint transferees or in any other circumstances permitted by the CREST Regulations.

5.8 Dividends

5.8.1 *Declaration of dividends:* The Company may, by ordinary resolution, declare a dividend in accordance with the respective rights of members. No dividend may exceed the amount recommended by the Board.

5.8.2 *Interim dividends:* If, and so far as in the opinion of the Board the profits of the Company justify such payments, the Board may pay interim dividends. Provided that the Board acts in good faith it shall not incur any liability to the holders of shares for any loss they may suffer by the lawful payment of any interim dividend on any other class of shares having rights ranking after or equal with those shares.

5.8.3 *Payment of dividends:* Unless otherwise provided by the rights attached to the share, all dividends may be apportioned and paid *pro rata* according to the amounts paid on the shares during any portion of the period in respect of which the dividend is paid. The Board may deduct from any dividend payable to any member any sum owed by that member to the Company in respect of any shares, and the Company may apply the deducted sum to pay the sum owed to it.

5.8.4 *No interest on dividends:* No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company, unless otherwise provided by the rights attached to the share.

5.8.5 *Unclaimed dividends:* Any dividends unclaimed for 12 months may be invested or otherwise applied for the benefit of the Company until they are claimed. Any dividend unclaimed for 12 years from the date on which it was declared or became due for payment shall be forfeited and shall revert to the Company.

5.8.6 *Waiver of dividends:* A shareholder or other person entitled to a dividend may waive it in whole or in part. The waiver of any dividend shall be effective only if such waiver is in writing and signed or authenticated by the shareholder or the person entitled to the dividend and delivered to the Company.

5.8.7 *Scrip dividend:* The Board may, with the prior authority of an ordinary resolution of the Company, offer to ordinary shareholders the right to elect to receive an allotment of new ordinary shares credited as fully paid in lieu of the whole or part of a dividend.

5.9 General Meetings

An annual general meeting of shareholders must be held every year within a period of six months of the day following the Company's accounting reference date (which is 31 March), at such place or places, date and time as may be decided by the Board. The Board may convene a general meeting whenever and wherever they think appropriate. The Directors are required to call a general meeting once the Company has received requests from its members to do so, in accordance with the Companies Act 2006.

An annual general meeting must be convened by giving at least 21 days' notice, while any other general meeting shall be called by notice of at least 21 days or, if the members have passed a special resolution under the Companies Act 2006, at least 14 days. At the Company's last AGM on 28 July 2020, a special resolution was passed authorising a general meeting (other than an AGM) to be called by giving at least 14 clear days' notice. This approval is effective until the Company's next annual general meeting, where it is intended that a similar resolution will be proposed.

The Board may require attendees to submit to searches or put in place such arrangements or restrictions as they think fit to ensure the proper and orderly conduct of the meeting or the safety and wellbeing of people arriving, attending or leaving a general meeting.

5.10 The Company's Directors

Under the Articles of Association, there shall be not fewer than two nor more than 14 directors (unless otherwise determined by the Company by ordinary resolution). The business and affairs of the Company are managed by the Directors, subject to the requirements of the Articles of Association and any special resolutions of shareholders.

No business shall be transacted at a meeting of the Board unless a quorum is present, which is two Directors or such higher number as the Board may decide. The Board resolutions require the approval of a simple majority of Directors present and voting. In case of an equality of votes, the chairman of the meeting has a casting vote, and resolutions of the Board may be passed without a meeting by way of written consent by all Directors entitled to receive notice of a Board meeting.

5.11 Appointment and Removal of Directors

The Company may, by ordinary resolution, appoint as a Director a person who is willing to act as such. The Board may also appoint as a Director a person who is willing to act as such. Subject to the provisions on rotation of Directors, any Director appointed by the Board holds office only until the next annual general meeting and, if not reappointed at such meeting, shall vacate office at its conclusion. In line with the recommendations of the Corporate Governance Code, all of the Directors wishing to continue serving, and considered eligible by the Board, offer themselves for re-election at every annual general meeting. The relevant Director will remain in office and the retirement shall not have effect until the end of the meeting, or a resolution is passed to elect some other person in the place of the retiring Director. Accordingly, a retiring Director who is re-elected will continue in office without a break.

The Board may appoint any one or more Directors to hold executive office in the Company on such terms and for such period as the Board thinks fit.

The Company may, by ordinary resolution (of which special notice has been given) remove any director before their period of office has expired.

5.12 Chair of the Board

The Board may elect from its number a Chairman and deputy Chairman of the Board and decide the period for which he or she is to hold office. The Board may appoint a person other than the Chairman or the deputy Chairman of the Board to act as chair of a meeting if the elected Chairman and deputy Chairman are not present within 10 minutes of the appointed time.

5.13 No Share Qualification

A Director shall not be required to hold any shares in the capital of the Company by way of qualification.

5.14 Retirement of Directors by Rotation

At every annual meeting at least one third of the Directors who are subject to retirement by rotation must retire from office by rotation.

5.15 Directors' Fees, Expenses, Pensions and Other Benefits

The Company may pay to the Directors for their services as Directors such aggregate amount of fees as the Board or the Company's Remuneration Committee decides. The remuneration of the Non-Executive Directors of the Company is set by the Board, up to a cap of £750,000 per annum, or such larger amount as determined by ordinary resolution of the Company's shareholders. The remuneration of executive Directors is also determined by the Board (acting through the Remuneration Committee) and may be either a fixed sum of money and/or through a share of business done or profits made. Any such fee payable to an Executive Director may be in addition to or in lieu of any fees payable to such Director for their services as Director.

A Director who performs or renders any special duties or services outside their ordinary duties as a Director, and not in their capacity as holder of an executive office, may be paid such additional remuneration as the Board or any Board committee decides. A Director is entitled to be repaid all reasonable expenses properly incurred in the performance of their duties as Director.

The Board may exercise all the Company's powers to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances for a person who is or has been a Director of the Company or a Director of a company which is or was a subsidiary or affiliate, a company which is or was allied to or associated with a subsidiary or affiliate or a predecessor in business of a subsidiary or affiliate. The Board may provide such benefits to any member of the Directors' family or any person who was dependent on the Director.

5.16 Executive Directors

The Directors may appoint any Director to hold any employment or executive office with the Company for such period and on such terms as the Board may decide. The Board may revoke, terminate or vary the terms of any such appointment.

A person who ceases to be a Director will, on such cessation, also cease to have any powers previously delegated to him by the Company other than pursuant to any terms on which he or she continues to be employed by it.

5.17 Directors' Interests

The Directors may authorise any situation or matter relating to a particular Director to which section 175 of the Companies Act 2006 applies, provided that at the meeting at which such authorisation is provided there is a quorum without counting any interested Director. Before any such authorisation is given, a Director shall disclose all material particulars of the situation or matter which could influence the decision of the Board. If the Directors provide such an authorisation, the Director concerned:

(i) shall not be obliged to disclose to the Company confidential information obtained by him where to do so would amount to a breach of a duty of confidence to any third party; and

(ii) may absent himself from any Board discussions, and not receive documents and information relating to a matter that he or she has or may have a conflict of interest in respect of.

The Directors may also vary or terminate any such authorisation at any time.

A Director is not required, by reason of being a Director, to account to the Company for any profit, remuneration or other benefit which he or she derives from or in connection with a potential conflict which has been authorised by the Board or the Company.

Provided that a Director has disclosed his or her interest in the matter, he or she is not required by reason of being a Director to account to the Company for any profit, remuneration or other benefit which he or she derives from or in connection with:

(i) being a party to or otherwise interested in any arrangement or transaction with the Company or in which the Company is otherwise interested;

(ii) holding any other office or place of profit with the Company in conjunction with his or her office of Director;

(iii) acting by himself or herself or through a firm with which he or she is associated in a professional capacity for the Company or any body corporate in which the Company is interested; or

(iv) being a Director or other officer of, or employed by or otherwise interested in, any body corporate in which the Company or is interested or which has an interest in the Company or in any other undertaking.

Directors also have to comply with restrictions on related party transactions under applicable law.

5.18 Powers of the Directors

Subject to applicable law, the Articles of Association, and any special resolutions of the Company, the business of the Company is managed by the Directors who can exercise all the powers of the Company.

The Board may establish any committee for the purposes of carrying out any exercise, function or task that the Board has the power to carry out itself. The committees are allowed to have non-Directors with voting rights but only if:

(i) a majority of the members of the committee are Directors; and

(ii) no resolution of the committee shall be effective unless a majority of the members of the committee present when it is passed are Directors.

All acts by any meeting of Directors or of any committee would be valid as regards third parties dealing in good faith with the Company, even if there is some defect in any appointment or in the voting process of the Directors or of any committee.

5.19 Directors' Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party, subject to the terms of the Articles of Association, including the total aggregate borrowing limit of £1.5 billion (other than as previously sanctioned by ordinary resolution of the Company) set out therein.

5.20 Communications with Members

Any document or information (including a share certificate) which is sent or supplied by or on behalf of the Company:

(i) by post, shall be deemed to have been received by the intended recipient at the expiration of 24 hours after the time it was posted;

(ii) in hard copy by leaving it at the intended recipient's registered address or a postal address in the United Kingdom notified by him to the Company for the sending or supply of documents and information is deemed to have been received when it was left or delivered;

(iii) by electronic means is deemed to have been received (if sent or supplied between the hours of 9.00 a.m. and 5.00 p.m. on a working day) by the intended recipient on the day it was sent; and

(iv) by means of a website, is deemed to have been received on the day the material was first made available on the website or, if later, when the recipient received notice of its availability on the Company's website.

Any accidental failure on the part of the Company to send, or the non-receipt by any person entitled to, any document or information relating to any meeting or other proceeding will not invalidate the relevant meeting or proceeding.

A member who has no registered address within the United Kingdom and has not supplied to the Company an address within the United Kingdom for the service of notices will not be entitled to receive notices from the Company.

5.21 Disclosure of Shareholding Ownership

The DTRs require a member to notify the Company if the voting rights held by such member (including by way of certain financial instruments) reach, exceed or fall below 3 per cent. and each 1 per cent. threshold thereafter up to 100 per cent.

Pursuant to the Companies Act 2006 and the Articles of Association, the Company may send a notice to any person who appears to be interested in shares in the Company. If such person fails to give the Company the information required by such notice within 14 days after the date on which the notice was sent to the person, the holder of those shares shall not be entitled to be present or vote in respect of his or her shares at any general meeting or on a poll, or to exercise any other rights conferred by membership in relation to the meeting or poll.

The Directors may, in their absolute discretion, where those shares represent 0.25 per cent. or more of the issued shares of a relevant class, withhold a dividend (or any part of a dividend) or other distribution or amount payable in respect of those shares, and/or refuse to register the transfer of any of those shares.

5.22 Change of Control Provisions

There are no provisions in the Articles of Association that would have an effect of delaying, deferring or preventing a change in control of the Company.

6 Directors of the Company

The Directors as at the date of this document are listed below:

Name	Position	Age	Term Expires[(1)]
Derek Mapp	Chairman	70 years	8 May 2023[(2)]
Phillip Bentley	Chief Executive Officer	61 years	No specified term
Andrew Peeler	Chief Financial Officer	57 years	9 December 2020
Nivedita Krishnamurthy Bhagat	Independent Non-Executive Director	49 years	31 May 2023[(2)]
Jennifer Duvalier	Independent Non-Executive Director	51 years	25 July 2023[(2)]
Mary Reilly	Independent Non-Executive Director	67 years	31 August 2023[(2)]
Baroness Philippa Couttie	Independent Non-Executive Director	58 years	14 November 2020[(2)]
Roger Yates	Senior Independent Director	63 years	28 February 2021

Notes:

(1) All Directors put themselves up for re-election at each AGM, in accordance with the Corporate Governance Code

(2) This term is an extension of the term of the original underlying services contract

Unless otherwise indicated, the business address of the Directors is Level 12, The Shard, 32 London Bridge Street, London SE1 9SG, England, and their business telephone number is +44 (0) 330 678 0710.

None of the current Directors was selected to be a director of the Company pursuant to any arrangement or understanding with any major client, supplier or other person having a business connection with the Company. There are no family relationships between any of the current Directors or senior management. There are no actual or potential conflicts of interest between any duties of Directors and their private interests and other duties.

Set forth below are brief biographical descriptions of the Directors.

6.1 Derek Mapp

Chairman of the Board and Chairman of the Nomination Committee. Derek was appointed a Non-Executive Director on 9 May 2017 and Chairman of Mitie on 26 July 2017. Derek is Chair of Informa plc and private company Imagesound Limited. Derek also has several other private business interests. Derek was Chair of Huntsworth plc from December 2014 to March 2019. He was also previously Chief Executive Officer of Tom Cobleigh plc and Chair of Leapfrog Day Nurseries Limited, East Midlands Development Agency, Sport England and British Amateur Boxing Association Limited.

Derek is an experienced chairman and entrepreneur, with an extensive career in ownership, managerial, operational and commercial roles in service industries. Derek brings a wealth of commercial and governance experience within various sectors; and promotes robust debate and an open and engaged culture.

6.2 Phillip Bentley

Chief Executive Officer. Phillip was appointed as a director of the Company (in the role of Chief Executive Designate) on 1 November 2016 and was appointed Chief Executive Officer on 12 December 2016. Phillip was Group Chief Executive Officer of Cable & Wireless Communications plc from January 2014 until its sale to Liberty Global plc in May 2016. Prior to this he was a member of the board of Centrica plc from 2000 to 2013 whilst also Managing Director of British Gas from 2007 to 2013, Managing Director, Europe from 2004 to 2007 and Group Finance Director from 2000 to 2004. Phillip's prior non-executive directorships include IMI plc from 2012 to 2014 and Kingfisher plc from 2002 to 2010. His earlier career was in international roles with BP and Diageo.

Phillip has executive and non-executive experience having worked with FTSE 100 companies for over 20 years. Phillip has significant strategic and commercial experience at both the national and global level and extensive executive and leadership experience from across industry. Phillip also has experience in financial, audit and risk management systems and is an Accountant by profession, with a master's degree from Oxford University and an MBA from INSEAD, Fontainebleau.

6.3 Andrew Peeler

Chief Financial Officer. Andrew was appointed to his current role as Chief Financial Officer on 9 December 2019 and was appointed as a director of the Company with effect from 2 January 2020. Andrew is a director and chair of the Finance Committee of Fair Finance, a leading micro finance social enterprise. Andrew was Chief Executive Officer of Yodel from January 2018 to September 2019, having previously been Chief Financial Officer from September 2017. Prior to this he held several senior executive and board positions in Europe, America and Australia including with Bupa, Premier Foods, Cadbury Schweppes and Unilever.

Andrew is a well-regarded leader with broad commercial and financial experience. His skills and experience include strong operational and strategic oversight and execution and a proven track record in business expansion and transformation. Andrew is qualified as a chartered global management accountant.

6.4 Nivedita Krishnamurthy Bhagat

Independent Non-Executive Director and member of the Audit and Nomination Committees. Nivedita was appointed a Non-Executive Director on 1 June 2017. Nivedita is Chief Executive Officer, Global Cloud Infrastructure Services at Capgemini SA, a French publicly listed multinational corporation. She is also a member of its Group Executive Committee and a director of three of its group companies; Capgemini UK plc and CGS Holdings Ltd (both unlisted) and Capgemini Outsourcing Services GmbH. Nivedita has held several leadership roles in Capgemini and was Head of Enterprise Solutions, EMEA and Head of London Development Centre at Infosys Technologies Ltd from 1998 to 2010. Prior to this she was a consultant in the corporate finance division at KPMG India.

Nivedita has significant international management experience having worked across the UK, Europe, US and India and has vast experience in advising clients on technology solutions with a view to enabling them to increase shareholder value. Nivedita was involved for several years in IT consulting and IT outsourcing managing large complex contracts. Nivedita has a strong sales orientation having sold global technology and digital solutions to global clients and has a deep P/L management with focus on top and bottom line. Nivedita is qualified as a chartered accountant, with a degree in Economics.

6.5 Jennifer Duvalier

Independent Non-Executive Director, Chair of Remuneration Committee and member of the Nomination Committee. Jennifer was appointed as a Non-Executive Director on 26 July 2017. Jennifer is Non-Executive Director and Chair of the Remuneration Committee of Guardian Media Group plc, Non-Executive Director of NCC Group plc and Senior Independent Director and a member of the Audit and Risk, Nomination and Remuneration Committees of Trainline plc. Jennifer is also Director of The Cranemere Group Limited where she is also Chair of the Sustainability, People and Diversity Committee, and a member of the Council of the Royal College of Art, where she is also Chair of the Remuneration Committee.

Jennifer was Executive Vice President, People, for ARM Holdings plc, a global technology business, from September 2013 to March 2017. She was also an executive committee member with responsibility for people and internal communications activity. Prior to this, Jennifer was Group People and Culture Director at UBM plc from 2007 to 2013 and Group HR Director at Emap plc from 2003 to 2007.

Jennifer has skills and experience in leadership development, talent acquisition and management and succession planning, mentoring and coaching, people strategy, organisation development and change management, employee engagement and internal communications. Jennifer also has skills and experience in corporate social responsibility and partnerships, along with executive remuneration, performance management and executive teams and Board effectiveness. Jennifer has a MA (Hons) from the University of Oxford in English and French.

6.6 Mary Reilly

Independent Non-Executive Director, Chair of the Audit Committee and member of the Remuneration and Nomination Committees. Mary was appointed as a Non-Executive Director on 1 September 2017. Mary is also a non-executive director and chair of the audit committee of Essentra plc, an international supplier of specialist plastic, fibre, essential components and packaging products. She is also non-executive director and chair of the audit committee of Travelzoo. Her current trusteeships include the Invictus Games Foundation and PDSA.

Mary was non-executive director and chair of the audit committee of Ferrexpo plc, an iron ore mining company, from 2015 to 2019. She was also non-executive director and chair of the Audit & Risk Committee of the UK Department of Transport and of Crown Agents Limited, an international development company, from 2013 to 2017. Prior to this Mary was non-executive director of Cape plc, a global industrial services company, from 2016 to 2017. She has served as a non-executive director on several other boards since 2000.

Mary was a partner in Deloitte LLP (and predecessor firms) for over 25 years. Mary was an Audit Partner in the UK specialising in manufacturing, luxury retail and business services. She also headed a unit offering outsourcing capability and has accounting, finance and international management experience. Mary is a Chartered accountant, with a degree from University College London in History.

6.7 Baroness Philippa Couttie

Independent Non-Executive Director and member of the Audit and Nomination Committees. Baroness Philippa Couttie was appointed Non-Executive Director on 15 November 2017. Philippa is a member of the House of Lords and party whip. She is also a member of the House of Lords European Union Committee and EU Services Sub-Committee. In addition to this, Philippa is a Commissioner with the Guernsey Financial Services Commission and a member of their Investment and Audit committees. Philippa is also currently a special advisor to Hayman AI and chairs The Mitie Foundation. Philippa led Westminster City Council from 2012 to 2017. She joined the Council in 2006 and has previously served as Cabinet Member for Finance, Cabinet Member for Housing and Deputy Cabinet Member for Children's Services. Philippa was also a member of the Polling and Digital Media Select Committee from 2017 to 2018, and a member of the Greater London Authority Crime Reduction Board from 2012 to 2014.

Prior to progressing her career in public service, Philippa was a director at Citigroup after she left Schroders, where she headed up its principal finance business. She was also previously Chief Executive of Cornerstone Communications and PR Consultants.

Philippa has served as a non-executive director on several boards since 2006, including Royal Parks and the London Local Enterprise Partnership. She was also previously Chair of the West End Partnership and Council Member of Imperial College, where she was also Chair of the Audit Committee.

Philippa has experience in both public and private sector at the most senior level, being ennobled and joining the House of Lords in 2016. She also has extensive experience of the financial sector, developing corporate strategy and executing change management. Philippa has a degree from the University of St Andrews in Psychology.

6.8 Roger Yates

Senior Independent Director and member of the Audit, Remuneration and Nomination Committees. Roger was appointed Non-Executive Director on 1 March 2018 and Senior Independent Director on 31 July 2018. Roger is non-executive director and chair of the Remuneration Committee of Jupiter Fund Management plc and Senior Independent Director of St James's Place plc, where he is also Chair of the Remuneration Committee. Roger started his career in asset management at GT Management in 1981 and held positions of increasing seniority at Morgan Grenfell, LGT and Invesco. He served as Chief Executive of Henderson Group plc from 1999 to 2008 and as Chief Executive of Unicredit's asset management arm, Pioneer Investments.

Roger's non-executive roles have included IG Group plc, Electra Private Equity plc and J.P. Morgan Elect plc.

Roger's skills and experience include his substantial board experience, strong business track record and extensive knowledge of the finance and investment community.

6.9 Other Directorships

Set out below are the directorships and partnerships held by the Directors (other than, where applicable, directorships held in subsidiaries of the Company) in the five years prior to the date of this document:

Name	Current directorships/partnerships	Past directorships/partnerships
Derek Mapp	Concentia Capital Limited The Collyfobble Brewery Limited Ideal Music Communications Limited Ideal Music Media Limited Imagesound Limited Imagesound Retail Music and Media Limited IMS Bidco Limited IMS Midco Limited IMS Topco Limited Informa plc The Invicta Film Partnership No.23, LLP Langhammer Limited Mapp Developments Limited Mapp Kitchens & Ale Limited Musicstyling.com Limited Muzak (UK) Limited NO. 6 (Padstow) Limited Owen Film Partnership LLP Rojano's (Padstow) Limited Rolec Limited T.S.C. Music Systems Limited TSG Media Limited	Concorde and Wilson Limited Future Life Group Limited Future Life Limited Huntsworth plc The Invicta Film Partnership, LLP Salmon Developments Limited Salmon Harvester Properties Limited
Phillip Bentley............	Cobalt Data Centre 2 LLP	Cable & Wireless Communications Limited Cable & Wireless Communications plc
Andrew Peeler............	East End Fair Finance Limited Fair Finance Business Loans Limited	Bupa ANZ Holdings (Australia) Yodel Delivery Network Limited
Nivedita Krishnamurthy Bhagat	Capgemini UK plc CGS Holdings Limited	Capgemini SA
Jennifer Duvalier.........	The Cranemere Group Limited NGC Group plc Guardian Media Group plc Royal College of Art Trainline plc	Arm Limited Restless Development
Mary Reilly	Essentra plc Invictus Games Foundation The People's Dispensary for Sick Animals The Crown Agents Foundation Travelzoo	Cape plc Crown Agents Bank Limited Crown Agents Limited Ferrexpo plc IW Games Community Interest Company Saranac Partners Limited UK Department for Transport

Name	Current directorships/partnerships	Past directorships/partnerships
Baroness Philippa Couttie	House of Lords Griffin Investors Limited Guernsey Financial Services Commission Hayman Al	Canal & River Trust FTI Consulting Greater London Authority Local Government Association London Councils Polling and Digital Media Select Committee Royal Parks West End Partnership Westminster City Council
Roger Yates	Jupiter Fund Management plc St James's Place plc St James's Place Unit Trust Group Limited	Electra Private Equity Investments plc Electra Private Equity plc IG Group Holdings plc J.P. Morgan Elect plc Pioneer Global Asset Management S.P.A.

7 Senior Management

In addition to the Executive Directors described above, the Company's Senior Managers and the business and administrative departments they are responsible for, are indicated below.

The table below details the names of, and information about, the Company's senior management:

Name	Position	Business Address
Carlo Alloni	Managing Director, Technical Services	Level 12, The Shard, 32 London Bridge Street, London SE1 9SG
Peter Dickinson	Chief of Staff and General Counsel	Level 12, The Shard, 32 London Bridge Street, London SE1 9SG
Jasmine Hudson	HR Director, Group and Specialist Services	Level 12, The Shard, 32 London Bridge Street, London SE1 9SG
Cijo Joseph	Chief Information Officer	Level 12, The Shard, 32 London Bridge Street, London SE1 9SG
Daniel Spencer	Managing Director, Care & Custody	Level 12, The Shard, 32 London Bridge Street, London SE1 9SG
Jason Towse	Managing Director, Business Services	Level 12, The Shard, 32 London Bridge Street, London SE1 9SG
Simon Venn	Chief Government & Strategy Officer	Level 12, The Shard, 32 London Bridge Street, London SE1 9SG
Katherine Woods	Deputy General Counsel	Level 12, The Shard, 32 London Bridge Street, London SE1 9SG

None of the current members of the Company's senior management was selected for their role at the Company pursuant to any arrangement or understanding with any major client, supplier or other person having a business connection with the Company. There are no actual or potential conflicts of interest between any duties of the Company's senior management and their private interests and other duties.

Set forth below are brief biographical descriptions of the persons named in the table above, including their current principal occupation or employment and material occupations, positions, offices or employment during the past five years.

7.1 Carlo Alloni

Managing Director, Technical Services. Carlo is Managing Director for Mitie Technical Services. Carlo joined Mitie in 2017. His previous roles include Executive Vice President and Group Chief Technology and Information Officer at Cable and Wireless Communications (CWC), with responsibility for leading the company's technology transformation agenda and managing technical services across the Caribbean and Latin America.

Prior to joining CWC, Carlo held senior leadership positions in Ericsson where he ran a number of major outsourced engineering services, including building mobile phone networks in Egypt, Syria and Iraq. His earlier career was in investment banking with the Safra Group. He speaks 6 languages and holds an Executive MBA from the University of Pittsburgh.

7.2 Peter Dickinson

Chief of Staff and General Counsel. As Chief of Staff and General Counsel, Peter is responsible for a wide range of activities for the Group including Legal, Group HR, Mergers & Acquisitions, Pensions, Property, Procurement, Health & Safety, Risk and Compliance, Internal Audit, Sustainability and Social Values.

Peter joined Mitie in 2017 from the global law firm Mayer Brown International LLP (and its predecessor firm) where he was a partner between 1995 and 2017 and played a leading role in developing the firm's Technology, Media and Telecoms (TMT) practice. From 2015 until March 2017, Peter co-headed Mayer Brown's global Technology Transactions practice. Between 2005 and 2015, Peter was the head of Mayer Brown's Corporate practice in London and, in addition, between 2008 and 2015, Peter was the co-head of Mayer Brown's global Corporate practice, with specific responsibility for strategy.

Peter has substantial experience of providing legal, regulatory and commercial advice at board level as well as significant experience advising on corporate advisory, mergers and acquisitions, joint ventures and other significant commercial transactions including large scale multi-jurisdictional outsourcing projects. Peter is a qualified solicitor with a degree in law from Southampton University.

7.3 Jasmine Hudson

HR Director, Group and Specialist Services. As HR Director, Group and Specialist Services, Jasmine is responsible for Group HR Strategy, Resourcing, Learning & Development and The Mitie Foundation. Jasmine is also responsible for Mitie's Diversity & Inclusion strategy and is Executive Sponsor of Mitie's gender network, Mitie Women Can. Additionally, Jasmine is HR Director for Group Functions and Specialist Services business areas.

Jasmine joined Mitie in 2009, having previously held HR roles with EE and Johnson Controls. From 2009 to 2011 Jasmine led the advisory function for the Group before supporting the mobilisation of our largest contract, LBG. Jasmine then undertook the role of Head of HR for our IFM contracts before moving to the Professional Services & Connected Workspace division as HR Director. This role grew to also support Care & Custody and Waste businesses.

Jasmine has substantial experience within commercial generalist HR roles, specifically supporting large scale bids and mobilising TUPE transfers. Jasmine has a MA Human Resource Management from the University West of England.

7.4 Cijo Joseph

Chief Information Officer. As the Chief Information Officer, Cijo leads the Mitie's Information Systems function delivering Information Systems strategy, blueprints and enterprise technology solutions to drive Mitie's technology strategy.

Cijo joined Mitie in 2017 as the Director of Strategy and Solutions and took the role of CIO in 2019. Cijo has over 23 years of experience in transforming people, process and technology for various companies including Centrica, British Gas and TalkTalk, with extensive experience in running large IT teams and Technology Transformation Programmes. Cijo has a Bachelor of Science (Physics) degree and a master's degree in Computer Science/Applied Computer Science (Master of Computer Applications).

7.5 Daniel Spencer

Manging Director, Care & Custody. Daniel has over 20 years' experience working in the Criminal Justice Sector for both the private and public sector. Prior to joining Mitie, he worked for HM Prison Service as a Prison Governor leading operations in several high profile and complex prison establishments. He joined Mitie Care and Custody in 2012 shortly after it was founded and has played a key role in the growth and success of the business. He is passionate about transforming public services in partnership with key government clients including the Home office, Ministry of Justice and the Police and now leads a business employing over 2000. He is skilled in winning and delivering service contracts to government which involve high risk and heavily regulated environments. He maintains Mitie's reputation by ensuring that those services involving vulnerable adults are delivered with compassion and to the highest standards.

7.6 Jason Towse

Managing Director, Business Services. Jason joined Mitie in 2012 and now acts as Managing Director, Business Services leading a team of over 38,000 with responsibility for the strategy and delivery of Security (including fire & security systems) and Cleaning & Environmental and office (front of house, document management and vetting) services.

Jason has significant industry knowledge and continues to champion the drive for the use of technology and converged services.

7.7 Simon Venn

Chief Government & Strategy Officer. As Chief Government & Strategy Officer Simon is responsible for Government Relations and Defence as well as Mitie's commercial sales function.

Simon was previously the Chief Executive of Source8, a professional services and advisory firm, which he co-founded in 2004. Source8 was acquired by Mitie in 2014. Prior to this, Simon held senior global roles at Cable & Wireless and Royal Dutch Shell.

Simon also acts as a senior advisor to the UK Government and was appointed in 2010 to sit on the Foreign & Commonwealth Office's Overseas Business Risk (OBR) board. Simon has an MBA from Henley Management College.

7.8 Katherine Woods

Deputy General Counsel. As Deputy General Counsel, Katherine is responsible for Mitie's legal function and also serves as the Group's Data Protection Officer.

Prior to joining Mitie in 2017, Katherine was a senior associate in the corporate practice at the global law firm Mayer Brown, advising clients on a range of matters covering mergers and acquisitions, joint ventures, solvent and insolvent corporate restructurings and other significant commercial transactions including large scale multi-jurisdictional outsourcing projects. Katherine is a qualified solicitor with a degree in law from Nottingham University

7.9 Other Directorships

Set out below are the directorships and partnerships held by the Senior Managers (other than, where applicable, directorships held in subsidiaries of the Company) in the five years prior to the date of this document:

Name	Current directorships/partnerships	Past directorships/partnerships
Carlo Alloni	N/A	Cable & Wireless (Panama)
Peter Dickinson............	N/A	Creativevents Limited Gather & Gather Limited Mayer Brown International LLP MPM Housing Limited MPS Housing Limited R.&M. (Stafford House) Service Company Universal Royalties Limited Terminix UK Limited

Name	Current directorships/partnerships	Past directorships/partnerships
Jasmine Hudson	N/A	N/A
Cijo Joseph	N/A	N/A
Daniel Spencer	N/A	N/A
Jason Towse	Insight Certification Limited	N/A
Simon Venn	N/A	Thorpe Castle Estates Ltd
Katherine Woods	N/A	N/A

There is no family relationship between any of the Company's Directors or Senior Managers.

8 Directors and Senior Managers

8.1 Save as disclosed in paragraph 6 and 7 of this Part XV, as at the date of this document, none of the Directors or the Senior Managers has at any time within the past five years:

8.1.1 been a director or partner of any companies or partnerships;

8.1.2 had any convictions in relation to fraudulent offences (whether spent or unspent);

8.1.3 been adjudged bankrupt or entered into any individual voluntary arrangements;

8.1.4 been a director of any company at the time of or within a 12-month period preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with such company's creditors generally or with any class of creditors of such company;

8.1.5 been partner of any partnership at the time of or within a 12-month period preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;

8.1.6 had his or her assets the subject of any receivership;

8.1.7 been partner of any partnership at the time of or within a 12-month period preceding any assets thereof being the subject of a receivership;

8.1.8 been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body); or

8.1.9 ever been disqualified by a court from acting as a director or other officer of any company or from acting in the management or conduct of the affairs of any company.

8.2 Save for in their capacities as persons legally and beneficially interested in Shares, there are:

8.2.1 no potential conflicts of interest between any duties to the Company of the Directors or the Senior Managers and their private interests and/or other duties; and

8.2.2 no arrangements or understandings with major Shareholders, members, suppliers or others, pursuant to which any Director or Senior Manager was selected.

8.3 No restrictions have been agreed by any Director or Senior Manager on the disposal, within a certain period of time, of his or her holding in Shares.

8.4 There are no family relationships between any of the Directors or Senior Managers.

9 Directors' Interests in, and Awards and Options Over, Shares

Save as disclosed in this paragraph 9, no Director or Senior Manager has any interests (beneficial or non-beneficial) in the share capital of the Company or any of its subsidiaries.

The interests of the Directors and Senior Managers, and a person closely associated (within the meaning of MAR) with a Director or Senior Manager, in the share capital of the Company (all of which, unless otherwise stated, are beneficial) on 29 October 2020 (being the latest practicable date prior to the date of this document) and as they are expected to be immediately following Admission (assuming no Shares are issued to satisfy the vesting of awards or the exercise of options under the Employee Share Plans between the date of this document and Admission becoming effective), are as follows:

	Shares beneficially held at 29 October 2020(1)(2)		**Shares beneficially held immediately following Admission(1)(2)(3)**	
	No.	**%**	**No.**	**%**
Directors				
Derek Mapp	472,341	0.040	472,341	0.033
Phil Bentley	8,729,404	0.745	8,729,404	0.615
Andrew Peeler	—	—	—	—
Nivedita Krishnamurthy Bhagat	69,680	0.006	69,680	0.005
Jennifer Duvalier	63,481	0.005	63,481	0.004
Mary Reilly	74,713	0.006	74,713	0.005
Baroness Philippa Couttie	64,739	0.006	64,739	0.005
Roger Yates	160,000	0.014	160,000	0.011
Senior Managers				
Carlo Alloni	—	—	—	—
Peter Dickinson	204,770	0.017	204,770	0.014
Jasmine Hudson	10,698	0.001	10,698	0.001
Cijo Joseph	—	—	—	—
Daniel Spencer	594,724	0.051	594,724	0.042
Jason Towse	294,678	0.025	294,678	0.021
Simon Venn	2,554,732	0.218	2,554,732	0.180
Katherine Woods	99,157	0.008	99,157	0.007

Notes:
(1) Includes Shares held under the SIP.
(2) Excludes Shares held in treasury.
(3) Assumes no director share or share plan purchases before Admission.

The Directors and the Senior Managers have the same voting rights as all other Shareholders.

Taken together, the combined percentage interest of the Directors and Senior Managers in the issued ordinary share capital of the Company (excluding Shares held in treasury) as at 29 October 2020 (being the latest practicable date prior to the date of this document) was approximately 1.1 per cent.

As at 29 October 2020 (being the latest practicable date prior to the date of this document), the awards and options under the Employee Share Plans held by the Directors and Senior Managers (as well as their immediate families) over the share capital of the Company or (so far as is known or could with reasonable due diligence be ascertained by the relevant Director or Senior Manager) interests of a person closely associated (within the meaning of MAR) with a Director or Senior Manager and the existence of which was known to or could, with reasonable diligence, be ascertained by the Directors or Senior Managers as at 29 October 2020 (being the latest practicable date prior to the date of this document), is as follows:

Name	Date of grant	Plan	Shares subject to award/ option(1)	Option exercise price (£)(2)	Market Price at date of award (£)(3)	Vested or unvested	Exercise period/ vesting date
Directors							
Derek Mapp	—	—	—	—	—	—	—
Phil Bentley	11/08/2020	LTIP	5,278,592	—	0.341	Unvested	11/08/2025(4)
	25/06/2019	LTIP	2,275,608	—	0.791	Unvested	23/06/2024(4)
	02/08/2018	LTIP	2,283,069	—	0.788	Unvested	31/08/2023(4)
	24/07/2017	LTIP	343,117	—	1.39	Unvested	24/07 2021, 24/07/2022
	29/11/2016	LTIP	850,186	—	1.059	Unvested	29/11/2020, 29/11/2021
	25/06/2019	DBP	722,847	—	0.791	Unvested	25/06/2021
Andrew Peeler	—	—	—	—	—	—	—
Nivedita Krishnamurthy Bhagat	—	—	—	—	—	—	—
Jennifer Duvalier	—	—	—	—	—	—	—
Mary Reilly	—	—	—	—	—	—	—
Baroness Philippa Couttie	—	—	—	—	—	—	—
Roger Yates	—	—	—	—	—	—	—
Senior Managers							
Carlo Alloni	11/08/2020	LTIP	1,466,275	—	0.341	Unvested	11/08/2023(4)
	25/06/2019	LTIP	632,113	—	0.791	Unvested	25/06/2024(4)
	02/08/2018	LTIP	634,184	—	0.788	Unvested	02/08/2023(4)
	16/08/2017	LTIP	254,539	—	1.39	Vested	16/08/2020
Peter Dickinson	11/08/2020	LTIP	1,979,472	—	0.341	Unvested	11/08/2023(4)
	25/06/2019	LTIP	711,127	—	0.791	Unvested	25/06/2024(4)
	02/08/2018	LTIP	713,458	—	0.788	Unvested	02/08/2023(4)
Jasmine Hudson	11/08/2020	CSP	462,727	—	0.341	Unvested	11/08/2022
	11/08/2020	LTIP	347,045	—	0.341	Unvested	11/08/2023(4)
	25/06/2019	LTIP	75,852	—	0.791	Unvested	25/06/2022(4)
	02/08/2018	LTIP	60,246	—	0.788	Unvested	02/08/2021(4)
	29/06/2011	ESOS	9,671	1.1806	—	Vested	29/06/2014
Cjjo Joseph	11/08/2020	LTIP	371,975	—	0.341	Unvested	11/08/2023(4)
	25/06/2019	LTIP	85,523	—	0.791	Unvested	25/06/2022(4)
	02/08/2018	LTIP	50,227	—	0.788	Unvested	02/08/2021(4)
	19/10/2017	LTIP	21,689	—	1.39	Vested	24/07/2020
Daniel Spencer	11/08/2020	LTIP	278,592	—	0.341	Unvested	11/08/2023(4)
	25/06/2019	LTIP	120,100	—	0.791	Unvested	25/06/2022(4)
	02/08/2018	LTIP	103,877	—	0.788	Unvested	02/08/2021(4)
Jason Towse	11/08/2020	LTIP	1,026,392	—	0.341	Unvested	11/08/2023(4)
	25/06/2019	LTIP	316,055	—	0.791	Unvested	25/06/2024(4)
	02/08/2018	LTIP	272,698	—	0.788	Unvested	02/08/2023(4)
	24/07/2017	LTIP	88,116	—	1.39	Vested	24/07/2020
Simon Venn	11/08/2020	LTIP	971,407	—	0.341	Unvested	11/08/2023(4)
	25/06/2019	LTIP	335,019	—	0.791	Unvested	25/06/2024(4)
Katherine Woods	11/08/2020	LTIP	293,255	—	0.341	Unvested	11/08/2023(4)
	25/06/2019	LTIP	113,779	—	0.791	Unvested	25/06/2024(4)
	02/08/2018	LTIP	93,794	—	0.788	Unvested	02/08/2023(4)
	19/10/2017	LTIP	23,825	—	1.278	Vested	19/10/2020

Note:

(1) For awards prior to the Rights Issue, the number of shares subject to award/option has been adjusted for the discount element of the Rights Issue.

(2) For awards prior to the Rights Issue, the option exercise price has been adjusted for the discount element of the Rights Issue.

(3) For awards prior to the Rights Issue, the market price at date of award has been adjusted for the discount element of the Rights Issue.

(4) Subject to satisfaction of performance conditions.

Other than as disclosed in this paragraph, there are no other Directors or Senior Managers to whom any capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option.

No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were effected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors.

Save as set out in this Part XV, it is not expected that any Director will have any interest in the share or loan capital of the Company following the issue of the Consideration Shares and there is no Director or Senior Manager to whom any capital of any member of the Group is under option or agreed unconditionally to be put under option.

In connection with the Acquisition, the Board has approved the award of £5.6 million in Shares to key leadership employees across Interserve Facilities Management and Mitie as a retention incentive.

10 Major Shareholders

As at 29 October 2020 (being the latest practicable date prior to the publication of this document), insofar as it is known to the Company by virtue of notifications made pursuant to the Companies Act 2006 and/or Chapter 5 of the Disclosure Guidance and Transparency Rules or otherwise, the following persons are, directly or indirectly, interested (within the meaning of the Companies Act 2006) in 3 per cent. or more of the Company's issued share capital (being the threshold for notification of interest that will apply to Shareholders as of Admission pursuant to Chapter 5 of the Disclosure Guidance and Transparency Rules):

Beneficial owner	**Shares**	
	No.	**%**
Silchester International Investors LLP	210,021,726	17.94
FIL Limited	118,990,702	10.16
Brandes Investment Partners LP	97,365,814	8.31
Heronbridge	92,371,843	7.89
Harris Associates L.P.	65,150,843	5.56
Schroders Plc	61,057,616	5.21
BlackRock Inc	45,621,114	3.90
FMR LLC	42,484,357	3.63
The Vanguard Group Inc	40,403,937	3.45
RWC Partners Limited	40,080,554	3.42

Note:
(1) Excludes Shares held in treasury.

So far as the Company is aware, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government or any other natural or legal person, severally or jointly.

None of the major Shareholders referred to above has different voting rights from other Shareholders.

So far as the Company is aware, immediately following Admission, the interests of those persons set out above with an interest in 3 per cent. or more of the Company's issued share capital, and the amount of such persons' interest, including as a percentage of the enlarged share capital, (assuming (i) that they do not acquire or dispose of any Shares between 29 October 2020 and Admission and (ii) that no Shares are issued to satisfy the vesting of awards or the exercise of options under the Employee Share Plans between 29 October 2020 (being the latest practicable date prior to the date of this document) and Admission becoming effective) will be as follows:

Beneficial owner	Shares	
	No.	%
Silchester International Investors LLP	210,021,726	14.80
FIL Limited	118,990,702	8.38
Brandes Investment Partners LP	97,365,814	6.86
Heronbridge	92,371,843	6.51
Harris Associates L.P.	65,150,843	4.59
Schroders Plc	61,057,616	4.30
BlackRock Inc	45,621,114	3.21
FMR LLC	42,484,357	2.99
The Vanguard Group Inc	40,403,937	2.85
RWC Partners Limited	40,080,554	2.82

Note:
(1) Excludes Shares held in treasury.

11 Directors' Service Agreements and Letters of Appointment

11.1 Executive Directors

Any payments made to an Executive Director on termination of his or her service agreement will be subject to the Company's remuneration policy as approved by the Shareholders from time to time. The service agreements of Phillip Bentley, Chief Executive Officer of the Company and Andrew Peeler, Chief Financial Officer of the Company do not include any fixed provision for termination compensation except base salary and benefits for the notice period.

11.2 Non-Executive Directors

The appointment of each Non-Executive Director may be terminated by either party upon three months' notice and is subject to the Articles of Association. The Non-Executive Directors are not entitled to receive any compensation on termination of their appointments (save for notice, where due).

12 Auditors

The auditors of Mitie for the period from 19 September 2017 to date have been BDO LLP, Chartered Accountants, whose address is at 55 Baker Street, London W1U 7EU, United Kingdom. BDO LLP have no material interest in the Company.

BDO LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

13 Material Contracts

13.1 Mitie's Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group within the two years immediately preceding the date of this document and are, or may be, material or have been entered into at any time by the Company or any member of the Group and contain provisions under which the Company or any member of the Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Group as at the date of this document:

13.1.1 Non-Disclosure Agreement

On 31 July 2019, Mitie and Interserve Facilities Management entered into a non-disclosure agreement in a customary form in relation to the Acquisition, pursuant to which Mitie undertook, among other things and subject to certain exceptions, to keep information relating to Interserve Facilities Management confidential and not to disclose it to third parties (other than certain permitted persons), unless required by law or regulation. Unless terminated earlier, the confidentiality obligations will remain in force for a period of five years from the date of the agreement.

13.1.2 **Share Purchase Agreement**

A description of the principal terms of the Share Purchase Agreement (including the Original Share Purchase Agreement and the Amendment Agreement) and tax deed are set out in Part VIII of this document.

13.1.3 Warranty and Indemnity Insurance Policies

A description of the principal terms of the Warranty and Indemnity Insurance Policies is set out in Part VIII of this document.

13.1.4 **Finance Facilities**

(A) **Revolving Credit Facility**

Description of Revolving Credit Facility

Mitie is party to a facility agreement dated 29 March 2011, as amended and restated by a supplemental agreement dated 17 July 2014 and as further amended from time to time, including by an amendment letter dated 24 June 2020 (the "**Amendment Letter**") with a syndicate of six banks as original lenders, and pursuant to which the Group holds a £250 million revolving credit facility (the "**Revolving Credit Facility**").

The Revolving Credit Facility was entered into for: (i) the purpose of refinancing Mitie's previous £230,000,000 revolving credit facility originally dated 17 January 2007; and (ii) general corporate and trade purposes.

The Revolving Credit Facility is provided to the Group on an unsecured basis but is guaranteed by, as at 31 March 2020, 19 key entities within the Group. These entities are determined by certain conditions set out in the Revolving Credit Facility.

The Revolving Credit Facility is due to mature in December 2022. As at 31 March 2020, £49.5 million of this facility was drawn down. Under the terms of the Revolving Credit Facility, Mitie may voluntarily prepay any part of a loan made under the Revolving Credit Facility prior to the termination date, subject to a requirement that the prepayment is in a minimum amount of £5,000,000, or equivalent.

The interest rate under the Revolving Credit Facility is equivalent to the aggregate of the applicable margin plus LIBOR, EURIBOR, STIBOR, NIBOR or WIBOR. The margin is determined by reference to Mitie's Leverage Ratio and is between 3.25 and 4.25 per cent. per annum, subject to the highest applicable rate applying in the event that Mitie is in default of its obligation to provide a compliance certificate or relevant financial statements or an event of default is outstanding.

The Revolving Credit Facility contains covenants that are typical in financings of this type, including restrictive covenants in relation to granting security, disposals, the incurrence of financial indebtedness and mergers (each subject to customary exceptions), as well as restrictions on dividends (unless (i) no event of default is continuing or would result from such dividend, (ii) on the most recent financial covenant test date Mitie's Leverage Ratio is less than 3:1, and (iii) such dividend is consistent with Mitie's dividend or distribution policy), change of business and acquisitions which constitute Class 1 transactions (the consent of the lenders to the Acquisition was received on 20 October 2020). There are also positive covenants relating to, amongst other things, compliance with environmental and sanctions laws, maintaining insurance and intellectual property and complying with the following financial covenants:

	30 Sept. 2020	31 March 2021	30 Sept. 2021	31 March 2022	30 Sept. 2022
Interest Coverage Ratio	>3.0x	>1.0x	>2.5x	>3.5x	>4.0x
Leverage Ratio	<3.0x	<4.0x	<3.5x	<3.0x	<3.0x

The Revolving Credit Facility contains event of default provisions customary for financings of this nature, including payment defaults, breach of financial covenants, breach of other obligations, misrepresentation, cross-default, insolvency (or analogous event), cessation of business, creditors' process, effectiveness of the finance documents, ownership of the obligors and material adverse change.

Amendments to the Revolving Credit Facility

The Amendment Letter made certain temporary amendments to, and granted certain temporary waivers in connection with, the Revolving Credit Facility, which took effect on completion of the Rights Issue. These include, amongst others:

(a) a waiver of the guarantor coverage tests until the delivery of the financial statements of Mitie's 2022 financial year, subject to certain conditions relating to significant subsidiaries of Mitie remaining as guarantors under the Revolving Credit Facility for such period;

(b) the inclusion of a restriction on any acquisitions by Mitie until 30 September 2021, unless following such acquisition Mitie's Leverage Ratio does not exceed 3:1 (this restriction will need to be complied with in relation to the Acquisition); and

(c) a waiver of any default arising as a result of: (i) suspension of payments or negotiations with certain creditors in connection with COVID-19 for a period of six months from the date on which the waiver is effective; or (ii) a material adverse change in connection with COVID-19 for a period commencing on the date on which the waiver is effective and ending on 30 September 2021.

(B) **US Private Placement Notes**

Description of the Note Purchase Agreement and the US Private Placement Notes

Mitie has issued private placement notes through its subsidiary MTML, which are guaranteed by Mitie (and certain other entities in the Group) and denominated in pounds sterling or US dollars to institutional investors. MTML has issued the US Private Placement Notes which are outstanding pursuant to the Note Purchase Agreement, comprising:

(a) the US$153,000,000 3.85 per cent. Guaranteed Series A Senior Notes due 16 December, 2022;

(b) the £25,000,000 3.87 per cent. Guaranteed Series B Senior Notes due 16 December, 2022; and

(c) the £30,000,000 4.04 per cent. Guaranteed Series C Senior Notes due 16 December, 2024.

Interest under the US Private Placement Notes is payable by MTML semi-annually in arrears.

The US Private Placement Notes may be prepaid at any time in whole or in part (subject to a minimum amount of US$5 million or, in the case of the pounds sterling denominated notes issued under the Note Purchase Agreement, its equivalent in pounds sterling using the conversion rate set out in the Note Purchase Agreement) at par plus all accrued and unpaid interest plus a market make-whole premium, if any.

The make-whole amount is an amount intended to compensate investors for the difference in expected yield on the US Private Placement Notes to the yield if the principal is received earlier than scheduled and the reinvestment yield is lower than the interest rate that the US Private Placement Notes typically have. A make-whole would typically be payable if the reinvestment yields have gone down between the time of the initial placement of the US Private Placement Notes and the date of the prepayment. In general terms, the make-whole premium will be equal to the excess (if any) of (a) the present value of the remaining principal payments on the principal amount to be prepaid, discounted at a rate equal to the yield on the most actively-traded on the run US treasury note or, in the case of pounds sterling denominated notes, the actively-traded on the run UK gilt securities which most closely matches the maturity of the US Private Placement Notes, plus 50 basis points over (b) the principal amount of the US Private Placement Notes to be prepaid.

The US Private Placement Notes are not subject to required prepayments prior to the final maturity date except (i) prepayments required following certain disposals of assets, (ii) in connection with a change of control, (iii) following certain changes in sanctions that affect the Group or violations of sanctions or (iv) due to acceleration on an event of default.

The Note Purchase Agreement contains covenants that are typical in financings of this type, including restrictive covenants in relation to granting security, disposals, the incurrence of financial indebtedness and mergers (each subject to customary exceptions), as well as restrictions on acquisitions which constitute Class 1 transactions (there is an exemption to these restrictions for the purposes of the current Acquisition). There are also positive covenants relating to, amongst other things, compliance with environmental and sanctions laws, maintaining insurance and property and complying with the following financial covenants:

	30 Sept. 2020	**31 March 2021**	**30 Sept. 2021**	**31 March 2022**	**30 Sept. 2022**
Interest Coverage Ratio	> 3.0x	> 1.0x	> 2.5x	> 3.5x	> 4.0x
Leverage Ratio	< 3.0x (unchanged)	< 4.0x	< 3.5x	< 3.0x	< 3.0x

The Note Purchase Agreement also contains event of default provisions customary for financings of this nature, including payment defaults, breach of financial covenants, breach of other obligations, misrepresentation, cross-default, insolvency (or analogous event), failure to maintain or administer non-US employee benefit plans and effectiveness of the finance documents.

Amendments to the Note Purchase Agreement

The Fourth Amendment to the Note Purchase Agreement entered into on 24 June 2020, made certain temporary amendments to the Note Purchase Agreement which took effect on completion of the Rights Issue. These include, amongst others:

(a) the inclusion of an additional fee payable under the Note Purchase Agreement during the period from the date on which the proposed amendments to the Note Purchase Agreement and the US Private Placement Notes take effect to the first date on or after 31 March 2022 that MTML certifies compliance with the financial covenants (such period, the "**US Private Placement Notes Amendment Period**") of 1.25 per cent. of the outstanding principal amount of the US Private Placement Notes;

(b) the inclusion of an elevated fee payable under the Note Purchase Agreement should the Leverage Ratio exceed 2.5:1 during the US Private Placement Notes Amendment Period;

(c) a waiver of the guarantor coverage tests during the US Private Placement Notes Amendment Period;

(d) the inclusion of a restriction on any acquisitions by Mitie during the US Private Placement Notes Amendment Period, unless following such acquisition Mitie's Leverage Ratio does not exceed 3:1. (these restrictions will need to be complied with in relation to the Acquisition);

(e) the inclusion of a restriction on dividends by Mitie unless (i) no event of default is continuing or would result from such dividend, (ii) on the most recent financial covenant test date Mitie's Leverage Ratio is less than 3:1 and (iii) such dividend is consistent with Mitie's dividend or distribution policy;

(f) the inclusion of a most favoured lender provision for the duration of the US Private Placement Notes Amendment Period, whereby any more favourable terms agreed with the lenders under the Revolving Credit Facility shall be deemed to be incorporated into the Note Purchase Agreement (under this provision, if any fee is paid to the lenders under the Revolving Credit Facility as a condition to their consent to the Acquisition, an equivalent fee is required to be paid to the holders of the US Private Placement Notes); and

(g) the inclusion of an additional event of default should a drawstop event occur under the Revolving Credit Facility during the US Private Placement Notes Amendment Period.

(C) Supply Chain Finance Facility

Certain members of the Group have entered into a £50 million supply chain finance facility with Santander UK PLC (the "**Supply Chain Facility**"). As at 30 September 2020, £4.1 million of this facility was utilised. The obligations of the Group members under the Supply Chain Facility are guaranteed by Mitie.

The Supply Chain Facility contains: (i) representations customary for a facility of this nature, including valid and binding obligations, no change of control, sanctions, true, complete and accurate information, invoices which are freely assignable, no disputes relating to invoices and invoices in full force and effect; (ii) undertakings customary for a facility of this nature, including compliance with laws and anti-corruption laws and provision of information relating to invoices; and (iii) termination provisions customary for a facility of this nature, including on insolvency (or analogous event), change of control, change of business, failure to pay, cross-default and misrepresentation.

Mitie anticipates this facility will no longer be used following the current year.

(D) Customer Invoice Discounting Facility

Certain members of the Group have entered into a £100 million facility with Lloyds Bank plc for customer invoice discounting of which £66.7 million was utilised as at 30 September 2020 (the "**CID Facility**"). The obligations of the Group members under the CID Facility are guaranteed by Mitie.

The CID Facility is subject to Lloyds Bank plc's standard terms and conditions which include: (i) representations customary for a facility of this nature, including delivery of invoices, no security over debts, valid and binding obligations, consents and authorisations, no disputes, ownership of debt and insurance; and (ii) events of default customary for a facility of this nature, including breach of obligations, change of control, sale or disposal of substantial part of business, insolvency (or analogous event) and failure to disclose information.

13.1.5 **Sponsor Agreement**

On 4 November 2020, the Company and Jefferies entered into a sponsor's agreement, pursuant to which the Company appointed Jefferies as Sponsor in connection with the publication of this document and the application for Admission (the "**Sponsor's Agreement**"). The Company has given certain customary representations and warranties, agreed to comply with certain customary undertakings and given certain customary indemnities to the Sponsor. The liabilities under those warranties, undertakings and indemnities are unlimited as to time and amount. The Sponsor may by notice to the Company terminate the Sponsor's Agreement in certain customary limited circumstances prior to Admission.

13.1.6 **Underwriting Agreement**

On 25 June 2020 the Company, Jefferies, J.P. Morgan Securities plc, which conducts its UK investment banking activities under the marketing name J.P. Morgan Cazenove ("**J.P. Morgan Cazenove**") Barclays Bank PLC ("**Barclays**") and Banco Santander, S.A. ("**Santander**" and, together with Barclays and J.P. Morgan Cazenove, the "**Underwriters**") entered into an underwriting agreement, in connection with the Rights Issue (the "**Underwriting Agreement**").

Under the terms of the Underwriting Agreement, and subject to certain conditions which have now been satisfied, Jefferies and J.P. Morgan Cazenove agreed severally to procure subscribers for, or, failing which, the Underwriters agreed severally themselves to subscribe for, any new Shares not taken up under the Rights Issue in exchange for the payment by the Company to the Underwriters of standard commissions and out-of-pocket expenses.

The Underwriting Agreement also contains lock-up arrangements which prevent the Company from, without the prior written consent of Jefferies and J.P. Morgan Cazenove (not to be unreasonably withheld or delayed), undertaking any consolidation or subdivision of its share capital or any capitalisation issue, declaring or paying any dividends or making any kind of distribution or grant of other rights in respect of any Shares, or offer, issue, lend, sell or contract to sell or contract to sell or issue, issue options in respect of, or otherwise disposing of, or announcing any offering or issue of any Shares or any securities exchangeable or convertible into, or substantially similar to Shares for a period of 180 days from (but not including) 29 July 2020, being the settlement date of the Rights Issue, except; (i) the issue of Shares in connection with the Rights Issue or; (ii) the issuance of Shares as consideration for the Acquisition pursuant to the terms of the Share Purchase Agreement or; (iii) pursuant to the vesting of awards or the exercise of options under the Company's employee share plans. The Company also provided customary undertakings, representations and warranties and indemnities to the Underwriters. The liabilities of the Company under the Underwriting Agreement are unlimited as to time and amount.

13.1.7 **Acquisitions / Disposals**

(A) **Acquisition of Vision Security**

In connection with the acquisition by MTML of the Vision Security Group ("**VSG**") from the Compass Group, MTML, VSG Holdings Limited (the "**VSG Seller**") and Compass Group, UK and Ireland Limited entered into an acquisition agreement dated 7 October 2018 (the "**VSG Acquisition Agreement**"). VSG is a leading security services provider offering integrated "systems, manned guarding and key holding" support and complements Mitie's existing security business.

The VSG Acquisition Agreement contains customary warranties and indemnities in favour of MTML, and the VSG Seller's liability is subject to customary limitations and qualifications. The warranties are provided by reference to matters such as the capacity and ownership, constitution and structure, compliance with legal requirements, accounts, indebtedness and guarantees, regulatory compliance, contracts, assets, property (including intellectual property), information technology, environmental health and safety, employees, pensions, insurance, litigation, insolvency and taxation.

The acquisition was completed on 26 October 2018. The total consideration paid by MTML to the VSG Seller at completion of the acquisition pursuant to the VSG Acquisition Agreement was £14 million, reduced to £12.7 million as a result of a completion account adjustment.

(B) **Disposal of Pest Control Business**

In connection with the disposal by Mitie of its Pest Control business to Rentokil Initial 1927 plc (the "**Pest Buyer**"), Mitie Limited and the Pest Buyer entered into a sale and purchase agreement dated 30 September 2018 (the "**Pest Sale Agreement**").

The Pest Sale Agreement contains customary warranties and indemnities in favour of the Pest Buyer, and Mitie's liability is subject to customary limitations and qualifications. The warranties are provided by reference to matters such as the capacity and ownership, constitution and structure, compliance with legal requirements, accounts, indebtedness and guarantees, regulatory compliance, contracts, assets, property (including intellectual property), information technology, environmental health and safety, employees, pensions, insurance, litigation, insolvency and taxation.

The total consideration paid by the Pest Buyer to Mitie pursuant to the Pest Sale Agreement was £40 million, reduced to £38.4 million as a result of completion account adjustments.

(C) **Disposal of Social Housing Business**

In connection with the disposal by Mitie of its Social Housing business to Mears Limited (the "**Social Housing Buyer**"), Mitie and the Social Housing Buyer entered into an acquisition agreement dated 19 November 2018 (the **"Social Housing Sale Agreement**").

The Social Housing Sale Agreement contains customary warranties and indemnities in favour of the Social Housing Buyer, and Mitie's liability is subject to customary limitations and qualifications. The warranties are provided by reference to matters such as the capacity and ownership, constitution and structure, compliance with legal requirements, accounts, indebtedness and guarantees, regulatory compliance, contracts, property, employees, pensions, insurance, litigation, insolvency and taxation.

The sale completed on 30 November 2018. The total consideration paid by the Social Housing Buyer to Mitie at completion of the sale pursuant to the Social Housing Sale Agreement was £22,500,000 with deferred consideration of up to £12,500,000 which is payable subject to the performance of the Social Housing business in the two-year period following completion.

(D) **Disposal of Catering Business**

In connection with the disposal by Mitie of its Catering and Outdoor Events Business to CH&Co Catering Group Limited (the **"Catering Buyer"**), Mitie and the Catering Buyer entered into a sale and purchase agreement dated 19 August 2019 (the "**Catering Sale Agreement**") and a business transfer agreement dated 19 August 2019 (together with the Catering Sale Agreement, the "**Catering Agreements**").

The Catering Agreements contain customary warranties and indemnities in favour of the Catering Buyer, and the Seller's liability is subject to customary limitations and qualifications. The warranties are provided by reference to matters such as the capacity and ownership, constitution and structure, compliance with legal requirements, accounts, indebtedness and guarantees, regulatory compliance, contracts, assets, property (including intellectual property), information technology, environmental health and safety, employees, pensions, insurance, litigation, insolvency and taxation.

The sale completed on 6 September 2019. The total consideration paid by the Catering Buyer to Mitie at completion of the sale pursuant to the Catering Agreements was £72.7 million, with deferred consideration of up to £12,000,000 that is payable subject to the performance of the Catering business in FY19/20 and FY22/23.

13.2 Interserve Facilities Management's Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by Interserve Facilities Management within the two years immediately preceding the date of this document and are, or may be, material or have been entered into at any time by Interserve Facilities Management and contain provisions under which Interserve Facilities Management has an obligation or entitlement which is, or may be, material to Interserve Facilities Management as at the date of this document:

13.2.1 **Non-Disclosure Agreement**

A description of the non-disclosure agreement entered into between Mitie and Interserve Facilities Management in connection with the Acquisition is set out in paragraph 13.1.1 of this Part XV.

13.2.2 **Share Purchase Agreement**

A description of the principal terms of the Share Purchase Agreement (including the Original Share Purchase Agreement and the Amendment Agreement) and tax deed are set out in Part VIII of this document.

13.2.3 **Joint Venture Arrangements**

Summaries of Interserve Facilities Management's joint venture arrangements are set out in paragraph 8 of Part X of this document.

14 Related Party Transactions

During the period from 31 March 2020 to 30 October 2020 (being the latest practicable date prior to the date of this document), the Company has not entered into any related party transactions.

15 Dividends

In FY19/20, the Company paid an interim dividend of 1.33p per share (the Rights Issue adjusts the dividend to 0.69p). The Company did not pay a final dividend for FY19/20.

16 Litigation and Investigations

16.1 Mitie

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the previous 12 months which may have, or have had in the recent past, significant effects on the Company or the Group's financial position or profitability.

16.2 Interserve Facilities Management

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the previous 12 months which may have, or have had in the recent past, significant effects on Interserve Facilities Management's or the Interserve Facilities Management Group's financial position or profitability.

17 Regulatory Disclosures

In the 12-month period prior to the date of this Prospectus, the Company disclosed the following information under the Market Abuse Regulation which is relevant as at the date of this Prospectus:

PDMR dealings

6 February 2020	Acquisition of shares by Phil Bentley pursuant to a trading plan that automatically reinvests dividends received into additional shares on 5 February 2019
26 June 2020	Acquisition of shares by Baroness Philippa Couttie on 25 June 2020
29 June 2020	Acquisition of shares by Nivedita Krishnamurthy Bhagat on 29 June 2020
30 June 2020	Acquisition of shares by Mary Reilly on 30 June 2020
31 July 2020	Acquisitions of shares, pursuant to the terms of the Rights Issue, by Phil Bentley, Derek Mapp, Roger Yates, Mary Reilly, Jennifer Duvalier, Nivedita Krishnamurthy Bhagat and Baroness Philippa Couttie on 29 July 2020
31 July 2020	Acquisition of shares by Phil Bentley on 31 July 2020
6 August 2020	Exercise of nil cost share options by Peter Dickinson under the LTIP on 5 August 2020
12 August 2020	Grant of nil cost share options to Phil Bentley and Peter Dickinson under the LTIP on 11 August 2020
18 August 2020	Exercise of nil cost share options by Phil Bentley under the LTIP on 18 August 2020
2 October 2020	Acquisitions of shares by Derek Mapp, Mary Reilly, Jennifer Duvalier, Nivedita Krishnamurthy Bhagat and Baroness Philippa Couttie under the share purchase plan for non-executive directors on 1 October 2020

Director changes

29 November 2019	Appointment of Andrew Peeler as interim group CFO with effect from 9 December 2019 and confirmation of the resignation of Paul Woolf as CFO with effect from 28 January 2020
2 January 2020	Appointment of Andrew Peeler to the Board as Group CFO with effect from 2 January 2020and notification of resignation of Paul Woolf from the Board

Trading updates

28 July 2020	Trading update and notice of results in respect of the three months to 30 June 2020

Other

27 March 2020	Update in relation to the impact of the COVID-19 outbreak on the Company
25 June 2020	Financial results for the year-ended 31 March 2020
25 June 2020	Announcement of the Rights Issue, the Acquisition and RCF Extension
25 June 2020	Publication of Prospectus and Circular and Notice of General Meeting
26 June 2020	Publication of the Annual Report and Accounts and Notice of Annual General Meeting for 2020
13 July 2020	Results of General Meeting held on 13 July 2020
14 July 2020	Admission of nil paid rights to trading on the LSE
28 July 2020	Results of Annual General Meeting held on 28 July 2020
29 July 2020	Results of the Rights Issue and results of the rump placing for the Rights Issue

18 Mandatory Takeover Bids, Squeeze-out Rules, Sell-out Rules and Takeover Bids

18.1 Mandatory Takeover Bids

The UK Takeover Code applies to the Company. Under the UK Takeover Code, if an acquisition of interests in shares were to increase the aggregate holding of an acquirer and persons acting in concert with it to an interest in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending upon the circumstances, persons acting in concert with it would be required (except with the consent of the UK Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares at a price not less than the highest price paid for any interest in shares by the acquirer or his or her concert parties during the previous 12 months. A similar obligation to make such a mandatory offer would also arise on the acquisition of an interest in shares by a person holding (together with any persons acting in concert) an interest in shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

18.2 Squeeze-Out Rules

Under the Companies Act 2006, if a "takeover offer" (as defined in section 974 of the Companies Act 2006) is made for the shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the shares to which the offer relates (the "**Offer Shares**") and not less than 90 per cent. of the voting rights attached to the Offer Shares, within three months of the last day on which its offer can be accepted, it could acquire compulsorily the outstanding shares not assented to the offer. It would do so by sending a notice to outstanding shareholders telling them that it will acquire compulsorily their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are acquired compulsorily under the Companies Act 2006, must, in general, be the same as the consideration that was available under the takeover offer.

18.3 Sell-Out Rules

The Companies Act 2006 also gives minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares, and at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the shares to which the offer relates, any holder of shares to which the offer related who had not accepted the offer could, by a written communication to the offeror, require it to acquire those shares. The offeror is required to give any shareholder notice of his or her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his or her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

18.4 Takeover Bids

No public takeover bid has been made in relation to the Company during the last financial year or the current financial year.

19 Working Capital

The Company is of the opinion that, taking into account the bank and other facilities available to the Group, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document.

In making the above working capital statement, the Company, as required by the ESMA Recommendations, has assessed whether there is sufficient margin or headroom to cover a reasonable worst case scenario.

COVID-19 has resulted in significantly increased levels of uncertainty for the Company, with a wide range of possible scenarios and consequential financial impacts. For the purposes of this working capital statement, the Company has formed its view of a reasonable worst case scenario using the following COVID-19-specific assumptions:

- The reasonable worst case scenario assumes that the second COVID-19 lockdown announced by the government on 31 October 2020 ultimately results in a three month lockdown, with an impact more severe than the first COVID-19 lockdown, resulting in Enlarged Group revenue being approximately 10 per cent. lower than that recognised in the first COVID-19 lockdown;
- As a result of the restrictions to date and those assumed to occur over the following months, the Enlarged Group's revenue is assumed to decline by approximately 20 per cent. in FY20/21, with variable works and projects being most significantly impacted. Enlarged Group revenue in FY21/22 is expected to remain approximately 10 per cent. below FY19/20 Enlarged Group revenue; and
- Working capital, inclusive of bad debts, excluding the government's "Time to Pay" deferral, is assumed to come under pressure in FY20/21 resulting in a net negative cash flow impact of approximately £115 million in Mitie and approximately £20 million in Interserve Facilities Management. It is assumed that this dynamic slowly reverses to normalised levels from April 2021 and into FY21/22.

The working capital statement in this Prospectus has been prepared in accordance with the ESMA Recommendations and the technical supplement to the FCA Statement of Policy published on 8 April 2020 relating to the outbreak.

20 No Significant Change

20.1 Mitie

There has been no significant change in the financial position or performance of the Group since 31 March 2020, the date to which the latest financial statements in relation to the Group were published, save and except for the continued development of the COVID-19 pandemic as described in Part VII "*Letter from the Chairman of Mitie Group plc*" (paragraph 3 "*Background to and reasons for the Acquisition*" and paragraph 7 "*Current Trading and Prospects*") and Part II "*Risk Factors*" "*The COVID-19 pandemic has impacted Mitie's and Interserve Facilities Management's businesses, and is expected, with effect from Completion, to impact the business of the Enlarged Group; the ultimate impact on their businesses and financial results will depend on future developments*").

20.2 Interserve Facilities Management

There has been no significant change in the financial position or performance of Interserve Facilities Management since 31 December 2019, the date to which the latest historical financial information in relation to Interserve Facilities Management has been prepared, save and except for the continued development of the COVID-19 pandemic as described in Part VII "*Letter from the Chairman of Mitie Group plc*" (paragraph 3 "*Background to and reasons for the Acquisition*" and paragraph 7 "*Current Trading and Prospects*") and Part II "*Risk Factors*" ("*The COVID-19 pandemic has* *impacted Mitie's and Interserve Facilities Management's businesses, and is expected, with effect from Completion, to impact the business of the Enlarged Group; the ultimate impact on their businesses and financial results will depend on future developments*").

21 Consents

Jefferies International Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

Evercore Partners International LLP has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

BDO LLP has given and has not withdrawn its written consent to the inclusion of its reports on the Unaudited *Pro Forma* Financial Information in Section B of Part XIV and the Historical Financial Information of Interserve Facilities Management in Section B of Part XII and has authorised the contents of those sections of this document for the purposes of Rule 5.3.2R(2)(f) of the Prospectus Regulation Rules. A written consent under the Prospectus Regulation Rules is different from a consent filed with the United States Securities and Exchange Commission under Section 7 of the US Securities Act. BDO LLP has not filed and will not be required to file a consent under Section 7 of the US Securities Act.

22 General

The total costs and expenses payable by the Company in connection with the Acquisition and Admission (including the listing fees of the FCA and the London Stock Exchange, professional fees and expenses and the costs of printing and distribution of documents) are estimated to amount to approximately £7.9 million (including VAT). In addition, the Company estimates that it will incur costs of £33 million relating to the integration of Interserve Facilities Management and the delivery of the anticipated cost synergies.

The financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

23 Documents Available for Inspection

Copies of the following documents will be available for inspection on the Group's website at https://www.mitie.com for a period of 12 months following Admission of the Consideration Shares, respectively (provided that the Share Purchase Agreement will not be generally available for inspection on the Company's website, but will be available for inspection at the Company's registered office, being 35 Duchess Road, Rutherglen, Glasgow G73 1AU, for a period of 12 months following Admission of the Consideration Shares):

(a) the Articles of Association;

(b) the 2020 Annual Report and Accounts;

(c) the consent letters referred to in paragraph 21 above;

(d) the Accountant's Report on the Unaudited *Pro Forma* Financial Information of Mitie set out in Section B of Part XIV of this document;

(e) the Accountant's Report on the Historical Financial Information of Interserve Facilities Management set out in Section B of Part XII of this document;

(f) the documents incorporated by reference into this document as described in Part XVI;

(g) the Original Share Purchase Agreement;

(h) the Amendment Agreement;

(i) the Share Box Agreement; and

(j) this document.

24 Announcement of Completion of the Acquisition

The Company will make an appropriate announcement(s) to a Regulatory Information Service giving details of the Completion of the Acquisition.

PART XVI

DOCUMENTS INCORPORATED BY REFERENCE

No part of the 2020 Annual Report and Accounts is incorporated herein except as expressly stated below. Where such documentation itself incorporates information by reference to another document, the further information is not intended to form part of this document for any purpose.

The table below sets out the various sections of the documents referred to above which are incorporated by reference into this document, so as to provide the information required pursuant to the Prospectus Regulation Rules and to ensure that Shareholders and others are aware of all information which, according to the particular nature of the Company and of the Shares, is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company and of the rights attaching to the Shares:

Reference document	**Information incorporated by reference**	**Page number in reference document**
2020 Annual Report and Accounts	Independent auditors' reports	174-184
	Consolidated income statement	185
	Consolidated statement of comprehensive income	186
	Consolidated balance sheet	187-188
	Consolidated statement of changes in equity	189
	Consolidated statement of cash flows	190-191
	Notes to the consolidated accounts	192-246 (inclusive)
	Appendix – Alternative Performance Measures (APMs)	253-254

Where this information makes reference to other documents, such other documents are not incorporated into and do not form part of this document. Parts of the documents from which such information has been incorporated are not set out above and are either not relevant or are covered elsewhere in this document.

The 2020 Annual Report and Accounts is available for inspection in accordance with paragraph 23 of Part XV of this document. This document is also available on Mitie's website at *https://www.mitie.com/investors/*.

PART XVII

DEFINITIONS

In this document, the following expressions have the following meanings unless the context otherwise requires:

2020 Annual Report and Accounts	the annual report and accounts prepared by Mitie for the year ended 31 March 2020;
2018 Financial Statements	the audited financial statements for Mitie for the year ended 31 March 2018;
2019 Financial Statements	the audited financial statements for Mitie for the year ended 31 March 2019;
2020 Financial Statements	the audited financial statements for Mitie for the year ended 31 March 2020;
Acquisition	the proposed acquisition of the entire issued share capital of Interserve Facilities Management pursuant to the Share Purchase Agreement;
Adjusted Consolidated EBITDA	Mitie's Consolidated EBITDA adjusted to reflect acquisitions and disposals;
Admission	the admission of the Consideration Shares (nil paid): (a) to the Official List; and (b) to trading on the London Stock Exchange's main market for listed securities, becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards;
AGM	an annual general meeting of the Company;
Amendment Agreement	the agreement dated 4 November 2020 between the Company and How Group pursuant to which the parties agreed to amend the terms of the Original Share Purchase Agreement as described in Part III of this document;
Articles of Association or **Articles**	the articles of association of the Company, details of which are set out in paragraph 5 of Part XV of this document;
Audit Committee	the Company's audit committee;
Board	the board of Directors, from time to time, of the Company;
Bonus Issue	an issue of bonus shares by the Company;
Business Day	a day (excluding Saturdays and Sundays or public holidays in England and Wales) on which banks generally are open for business in London for the transaction of normal banking business;
Call Option	the call option, covering all assets of the DAC SPV (excluding any retained profit) granted by the DAC SPV in favour of How Group in exchange for the funding for the Share Box Agreement to be provided by the PPN, which is exercisable in certain situations as described in paragraph 2.3 of Part VIII of this document;
certificated or **in certificated form**	where a share or other security is not in uncertificated form;
Chairman	the chairman of the Company;
Companies Act 2006	the UK Companies Act 2006, as amended;
Company	Mitie Group plc with its registered office at 35 Duchess Road, Rutherglen, Glasgow G73 1AU, United Kingdom and registered number SC019230;
Company Secretary	the company secretary of the Company;
Completion	completion of the Acquisition;

Conditions	the conditions to completion of the Acquisition as described in paragraph 1.3 of Part VIII;
Consideration Shares	has the meaning given in paragraph 1.2(a) of Part VIII;
Consolidated EBITDA	represents Mitie's consolidated operating profit/(loss) from continuing and discontinued operations plus depreciation, amortisation and impairment charges reflecting covenant adjustments (comprising the impact of restructuring activities, disposals of non-current assets, disposals of discontinued operations, provisions, one-off costs incurred on an acquisition, unrealised gains or losses on derivatives, income/charges attributable to post-employment benefit schemes (other than current service costs attributable thereto), and charges associated with share based payment schemes) on a pre-IFRS 16 basis;
Consolidated Net Finance Costs	Mitie's finance costs incurred (without taking account of dividends on preference shares), less all interest and other financing charges received or receivable but excluding finance costs associated with past-employment benefit schemes, each on a consolidated basis, including share of any proportionate consolidated joint ventures, but without taking account of certain unrealised derivative gains or losses or non-cash charges required as a consequence of discounting the net present value of any deferred consideration liabilities and excluding the impact of finance costs from the adoption of IFRS 16, *Leases*;
Consolidated Total Net Borrowings	represents Net Debt (pre-IFRS 16) less the impact of hedge accounting and upfront fees;
Corporate Governance Code	the UK Corporate Governance Code produced by the Financial Reporting Council;
COVID-19	the novel strain of coronavirus, COVID-19;
CREST	the relevant system, as defined in the CREST Regulations (in respect of which Euroclear is the operator, as defined in the CREST Regulations);
CREST Manual	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 18 November 2019 and as amended since);
CREST member	a person who has been admitted to Euroclear as a system member (as defined in the CREST Regulations);
CREST participant	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations);
CREST Proxy Instruction	the CREST message in order to make a valid proxy appointment or instruction;
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended;
CREST sponsor	a CREST participant admitted to CREST as a CREST sponsor;
CREST sponsored member	a CREST member admitted to CREST as a sponsored member;
CSP	means the Mitie Group plc Conditional Share Plan 2014;
DAC SPV	means Project County SPV 1 Designated Activity Company;
DBP	means the Mitie Group plc Deferred Bonus Plan 2010;
Directors	the directors of the Company whose names appear in paragraph 6 of Part XV of this document;

Disclosure Guidance and Transparency Rules or **DTRs**	the disclosure guidance and transparency rules of the FCA under Part VI of the FSMA, as amended;
EBITDA	represents Mitie's operating profit/(loss) from continuing and discontinued operations plus depreciation, amortisation and impairment charges reflecting covenant adjustments (comprising the impact of restructuring activities, disposals of non-current assets, disposals of discontinued operations, provisions, one-off costs incurred on an acquisition, unrealised gains or losses on derivatives, income/charges attributable to post-employment benefit schemes (other than current service costs attributable thereto), and charges associated with share based payment schemes) on a pre-IFRS 16 basis;
Employee Share Plans	the employee share plans operated by the Company, being: (i) the LTIP; (ii) the DBP; (iii) the SAYE UK Scheme; (iv) the SAYE Ireland Scheme; (v) the ESOS; (vi) the CSP; and (vii) the SIP;
Enlarged Group	Mitie as enlarged by the Acquisition (and, following Completion, which will comprise the Group and Interserve Facilities Management);
ESMA	the European Securities and Markets Authority;
ESMA Recommendations	ESMA's update of the Committee of European Securities Regulators' recommendations for the consistent implementation of the EU Regulations on Prospectuses;
ESOS	the Mitie Group plc Executive Share Option Scheme 2011;
euro	the single currency of the member states of the European Communities that adopt or have adopted the Euro as their lawful currency under the legislation of the EU or European Monetary Union;
Euroclear	Euroclear UK & Ireland Limited, the operator (as defined in the CREST Regulations) of CREST;
European Union or **EU**	the European Union first established by treaty made at Maastricht on 7 February 1992;
Evercore	Evercore Partners International LLP;
Excess Policy	the warranty and indemnity insurance policy entered into by the Company with Aviva Insurance on 25 June 2020 in respect of the Acquisition;
Executive Directors	the executive directors of the Company;
Existing Shares	the Shares in issue immediately preceding the issue of the Consideration Shares;
Financial Adviser	Evercore Partners International LLP;
Financial Conduct Authority or **FCA**	the UK Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA;
FRC	the Financial Reporting Council;
FSMA	the Financial Services and Markets Act 2000, as amended;
General Meeting	the general meeting of the Company to be held at Level 12, The Shard, 32 London Bridge Street, London SE1 9SG, United Kingdom at 11.00 a.m. on 23 November 2020, notice of which is set out in Part XVIII of this document;
GSOC	Mitie's global security operations centre;
How Group	How Group Limited, a company incorporated under the laws of England and Wales with its registered office at Interserve House, Ruscombe Park Twyford, Reading, Interserve Facilities Management RG10 9JU and registered number 01984855;

HY20/21 period	the six-month period ended 30 September 2020;
ICO	Information Commissioner;
Interserve Facilities Management	Interservefm (Holdings) Limited, a company incorporated under the laws of England and Wales with its registered office at Capital Tower, 91 Waterloo Road, London, SE1 8RT and company number 04127829, together with its subsidiaries and subsidiary undertakings and, where the context requires, its associated undertakings;
Interserve Facilities Management Historical Financial Information	the IFM 2017 Financial Statements, the IFM 2018 Financial Statements and the IFM 2019 Financial Statements;
IFM	Mitie's integrated facilities management service;
IFM 2017 Financial Statements	Interserve Facilities Management's combined carve-out financial information as at and for the year ended 31 December 2017;
IFM 2018 Financial Statements	Interserve Facilities Management's combined carve-out financial information as at and for the year ended 31 December 2018;
IFM 2019 Financial Statements	Interserve Facilities Management's combined carve-out financial information as at and for the year ended 31 December 2019;
IFRS	International Financial Reporting Standards as adopted by the European Union;
Insurers	Euclid Transactional UK Limited and Aviva Insurance Limited;
Interest Coverage Ratio	Consolidated EBITDA to Consolidated Net Finance Costs;
ISIN	International Securities Identification Number;
Jefferies	Jefferies International Limited;
J.P. Morgan Cazenove	J.P. Morgan Securities plc;
Landmarc	Landmarc Support Services Ltd;
Leverage Ratio	Consolidated Total Net Borrowings to Adjusted Consolidated EBITDA;
Link Asset Services	the trading name of the Registrar, Link Market Services Limited;
Listing Rules	the Listing Rules of the FCA under Part VI of the FSMA, as amended;
Lock-Up Event	situations as set out in the Share Box Agreement, where How Group may be in breach of certain fundamental obligations under the Share Box Agreement, as summarised in paragraph 2.3 of Part VIII of this document;
London Stock Exchange or **LSE**	London Stock Exchange plc;
Long Stop Date	31 March 2021;
LTIP	the Mitie Group plc Long Term Incentive Plan 2015;
MAR	the Market Abuse Regulation (EU) No 596/2014;
Master Policy	the warranty and indemnity insurance policy entered into by the Company with Euclid Transactional UK Limited on 25 June 2020 in respect of the Acquisition;
Member State	a member state of the EU;
Mitie or **Group**	the Company and its subsidiary undertakings and, where the context requires, its associated undertakings, in each case, from time to time, which will include Interserve Facilities Management following Completion;
Mitie Group plc Pension Scheme	the Mitie Group plc defined benefit pension scheme;
MTML	Mitie Treasury Management Limited;

Net Debt	reflects Mitie's bank loans, the US Private Placement Notes, derivative financial instruments hedging private placement notes and obligations under lease liabilities after adoption of IFRS 16, *Leases*, less cash and cash equivalents;
Net Debt (pre-IFRS 16)	reflects Mitie's Net Debt excluding the impact of IFRS 16, *Leases*;
Net Promoter Score (NPS)	net promoter score, based on surveys of Mitie customers to gauge overall satisfaction with the relevant product or service and loyalty;
Nomination Committee	the Company's nominations committee;
Non-Executive Directors	the non-executive directors of the Company;
Note Purchase Agreement	the note purchase and guaranty agreement dated as of 13 December 2012 (as amended) relating to the US Private Placement Notes;
Notice of General Meeting	the notice of General Meeting set out in Part XVIII of this document;
Official List	the Official List of the FCA pursuant to Part VI of the FSMA;
Operating profit before other items	represents Mitie's operating profit/(loss) less other items. Other items include impairment of goodwill, restructure costs, acquisition and disposal related costs, gain on bargain purchase, gain/(loss) from disposal and other exceptional items;
order book	represents the remaining performance obligations under Mitie's secured contracts. The order book represents only fixed work contracted with customers, and excludes any variable works associated with the customer or contract. The contract is only recorded for the remaining life of the contract and excludes the impact of any anticipated contract extensions, and new contracts with customers. The order book comprises both short-term contractual revenue (for contracts of a term of less than one year) and long-term contractual revenue (for contracts of a term of longer than one year) and represents the consideration to which Mitie will be entitled to receive from clients when it satisfies the remaining performance obligations in its contracts;
Original Share Purchase Agreement	the agreement dated 25 June 2020 between the Company and How Group pursuant to which the Company has agreed to acquire the entire issued share capital of Interserve Facilities Management on the terms and subject to the conditions thereof, a summary of which is contained in Part III of this document;
Overseas Shareholders	Shareholders with registered addresses in, or who are citizens, residents or nationals of, jurisdictions outside the United Kingdom;
Pensions Condition	condition to Completion under the Share Purchase Agreement, requiring the amendment of the Interserve Pension Scheme trust deed and rules to allow independent operation of certain sections thereunder and the receipt of Interserve Pension Scheme trustee consent to the Acquisition (or How Group having determined that it does not intend to seek such consent) and a clearance statement issued by the Pensions Regulator in respect of the Acquisition having been obtained (or both of How Group and the Company having determined that they do not intend to seek clearance in respect of the Acquisition);
PFI	private finance initiative;
pounds sterling or **£**	the lawful currency of the UK;
PPN	a limited-recourse profit participating note as described in paragraph 2.3 of Part VIII of this document;
Prospectus or **this document**	this prospectus and circular issued by the Company in respect of the Rights Issue, together with any supplements or amendments thereto;

Prospectus Delegated Regulation	Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing the Prospectus Regulation;
Prospectus Regulation	Regulation (EU) 2017/1129 and amendments thereto;
Prospectus Regulation Rules	the prospectus regulation rules made of the FCA under Part VI of the FSMA, as amended;
Registrar	Link Asset Services;
Regulatory Information Service	one of the regulatory information services authorised by the FCA to receive, process and disseminate regulatory information in respect of listed companies;
Remuneration Committee	the Company's remuneration committee;
Resolutions	the resolutions to be proposed at the General Meeting in connection with the Acquisition and Admission, notice of which is set out in Part XVIII of this document;
Revolving Credit Facility	the £250 million credit facility agreement dated 17 July 2014 (as amended and restated from time to time) between the Company and a syndicate of six banks as original lenders;
Rights Issue	the offer by way of rights to subscribe for Shares in the Company announced on 25 June 2020;
Santander	Banco Santander, S.A.;
SAYE UK Scheme	the Mitie Group plc Savings Related Share Option Scheme 2011;
SAYE Ireland Scheme	the Mitie Group plc Irish Savings Relating Share Option Scheme 2015;
Securities Act	the United States Securities Act of 1933, as amended;
Share	an ordinary share of 2½ pence each in the capital of the Company having the rights set out in the Articles, as described in paragraph 3 of Part XV of this document;
Share Box Agreement	the share box agreement to be entered into between the Company, How Group and the DAC SPV as set out in the Share Purchase Agreement, the execution of which is conditional on shareholder approval as an off-market purchase pursuant to section 694 of the Companies Act 2006 as described in paragraph 2 of Part VIII of this document;
Share Box Arrangements	arrangements for a portion of the Consideration Shares to be held in a form of escrow to provide credit support in respect of How Group's obligations to satisfy any indemnity claims made by the Company in the period from Completion to the second anniversary of the date of Completion, as described in paragraph 2 of Part VIII of this document;
Share Box Period	the period for which any Share Box Shares remain subject to the arrangements under the Share Box Agreement;
Share Box Shares	the Shares subject to the Share Box Arrangements;
Shareholder(s)	holders of Shares;
Share Purchase Agreement	the Original Share Purchase Agreement as amended by the Amendment Agreement;
SIP	the Mitie Group plc Share Incentive Plan 2018;
SOC	Mitie's service operations centre;
Sponsor	Jefferies International Limited;
Stop Transfer Notification	a notification issued by the Company to How Group in the situation where it becomes unlawful for the Company to receive the Share Box Shares;

subsidiary undertaking	as defined in section 1162 of the Companies Act 2006;
Total Financial Obligations Leverage	ratio of Mitie's Total Financial Obligations, being net debt, invoice discounting, supply chain finance, operating leases and pension deficit (measured at period end), to EBITDA;
UK Takeover Code	UK City Code on Takeovers and Mergers;
uncertificated or **in uncertificated form**	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
Uncertificated Securities Regulations	the Uncertificated Securities Regulations 2001, as amended;
Underwriters	Jefferies, J.P. Morgan Cazenove, Barclays and Santander;
Underwriting Agreement	the underwriting agreement described in paragraph 13.1.6 of Part XV of this document;
United Kingdom or **UK**	the United Kingdom of Great Britain and Northern Ireland;
United States or **US**	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
US dollar or **US$**	the lawful currency of the US;
US Private Placement Notes	the $153,000,000 3.85% Guaranteed Series A Senior Notes due 16 December, 2022, the £25,000,000 3.87% Guaranteed Series B Senior Notes due 16 December, 2022, and the £30,000,000 4.04% Guaranteed Series C Senior Notes due 16 December, 2024 issued by MTML by private placement to various institutional investors;
VAT	value added tax or similar sales or turnover tax or levy imposed in any jurisdiction; and
Warranty and Indemnity Insurance Policies	the warranty and indemnity insurance policies entered into by the Company with the Insurers on 25 June 2020, in respect of the Acquisition.

PART XVIII

NOTICE OF GENERAL MEETING

MITIE GROUP PLC

(*Incorporated and registered in Scotland with registered number SC019230*)

NOTICE IS HEREBY GIVEN that a GENERAL MEETING of Mitie Group plc (the "**Company**") will be held at Level 12, The Shard, 32 London Bridge Street, London SE1 9SG, United Kingdom on 23 November 2020 at 11.00 a.m. to consider and, if thought fit, pass the following resolutions, proposed as ordinary resolutions:

1 THAT:

subject to the passing of Resolution 2 and Resolution 3, the Acquisition, substantially on the terms and subject to the conditions set out in the sale and purchase agreement entered into by the Company and How Group Limited (the "**Seller**") on 25 June 2020 relating to the Acquisition (the "**Original Share Purchase Agreement**") as amended by the amendment agreement entered into on 4 November 2020 (the "**Amendment Agreement**", and, as the Original Share Purchase Agreement is so amended, the "**Share Purchase Agreement**") be and is hereby approved and the directors of the Company (the "**Directors**") (or any duly constituted committee thereof) be authorised:

(a) to take all such steps as may be necessary or desirable in connection with, and to implement, the Acquisition; and

(b) to agree such modifications, variations, revisions, waivers or amendments to the terms and conditions of the Acquisition (provided such modifications, variations, revisions, waivers or amendments are not material), and to any documents relating thereto, as they may in their absolute discretion think fit; and

2 THAT:

subject to the passing of Resolution 1, without prejudice to all existing authorities conferred on the Directors, the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all powers of the Company to allot new ordinary shares of 2.5 pence each in the capital of the Company, credited as fully paid, in connection with the Acquisition up to an aggregate nominal amount of £6,209,904.58, and which authority shall expire on the Long Stop Date, being 31 March 2021 or such later date as the Seller and the Company may agree or as may be determined in accordance with the Share Purchase Agreement (unless previously revoked or varied by the Company in general meeting), save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

3 THAT:

subject to the passing of Resolution 1, the terms of a proposed agreement between (1) the Company, (2) How Group Limited and (3) Project County SPV 1 Designated Activity Company providing for the purchase by the Company, in certain circumstances, of certain of its own shares by way of an off-market purchase (as defined by section 693(2) of the Companies Act 2006) (a copy of which has been produced to this meeting and made available at the Company's registered office for not less than 15 days ending with the date of this meeting), be and is hereby approved and authorised for the purposes of section 694 of the Companies Act 2006 and such approval and authority shall expire on 23 November 2025.

By order of the Board

Peter Dickinson

General Counsel & Company Secretary
4 November 2020

Registered office: 35 Duchess Road, Rutherglen, Glasgow G73 IAU

Registered number: SC019230

MEETING NOTES:

1. Under the UK Government's current guidance on social distancing and prohibitions on public gatherings the Board has made the decision to hold the General Meeting as a closed meeting. Accordingly, it will not be possible for you or other shareholders to attend the General Meeting. The Board expects only a very limited number of directors and members of senior management to be in attendance at the General Meeting to ensure a quorum and to conduct the business of the General Meeting. We ask that you therefore please do not attempt to attend the General Meeting in person as you will not be permitted entry. Further details relating to the format of, and current restrictions on attendance at, the General Meeting are set out in paragraph 14 of Part VII of the document of which this notice of General Meeting forms part.

2. Shareholders are strongly encouraged to vote on the resolutions to be proposed at the General Meeting. However, in light of the guidance regarding precautions to be taken in light of the COVID-19 outbreak (see note 2 below), Shareholders are encouraged to vote by proxy and raise questions in advance of the General Meeting, given they will not be able to attend the General Meeting.

   Shareholders are able to complete and return a form of proxy in accordance with the procedures set out below in order to vote in advance of the General Meeting. Arrangements have also been made to allow Shareholders to submit questions to the Board in advance of the General Meeting via the company's website (see note 7 below). Shareholders are strongly encouraged to appoint the Chairman of the General Meeting as their proxy, which will ensure their votes are cast in accordance with their wishes, even where the Shareholder, or any other person they might appoint as proxy, is unable to attend the meeting in person. Shareholders may appoint one or more persons other than the Chairman of the General Meeting to be their proxy to exercise their rights at the General Meeting and such a proxy need not also be a Shareholder of the Company. However, if you appoint someone other than the Chairman of the General Meeting as your proxy then, currently, your proxy would not be able to attend and vote on your behalf at the meeting. A Shareholder may appoint more than one proxy, provided that each proxy is appointed to exercise rights attached to different Shares (so a Shareholder must have more than one Share to be able to appoint more than one proxy).

   A Shareholder may only appoint a proxy using the procedures set out in these notes. The Company is not distributing a hard copy form of proxy unless specifically requested and Shareholders are encouraged to vote electronically. The methods available to appoint a proxy are set out below:

   (a) requesting a hard copy form of proxy from the Company's Registrar, Link Asset Services, on 0371 664 0300[1] and returning the completed form of proxy to Link Asset Services, at PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or

   (b) completing the online form of proxy via the Mitie shareholder portal (*https://www.mitie-shares.com*). If you have not previously registered to use the shareholder portal, you will first be asked to register as a new user, for which that member will require its investor code (which can be found on your share certificate and dividend confirmation), family name and postcode (if resident in the United Kingdom);

   (c) if you are an institutional investor, appoint your proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Company's Registrar. Before appointing a proxy through Proxymity, you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. Further information in relation to Proxymity is available at *https://www.proxymity.io*; or

   (d) in the case of CREST members, using the CREST electronic proxy appointment service in accordance with note 6 below,

   and, in each case, the proxy must be received by Link Asset Services no later than 11.00 a.m. on 19 November 2020 (or, in the case of an adjournment, not less than 48 hours (excluding any part of a day that is not a working day) before the time appointed for the holding of the adjourned meeting).

[1] Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

3. If you are a person who has been nominated by a Shareholder to enjoy information rights in accordance with section 146 of the Companies Act 2006, you do not have the right to appoint a proxy but you may have a right under an agreement between you and the Shareholder by whom you were nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If you have no such right or do not wish to exercise it, you may have a right under such an agreement to give instructions to the Shareholder as to the exercise of voting rights.

4. The Company, pursuant to Part 13 of the Companies Act 2006 and to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), specifies that only those shareholders registered in the register of members of the Company at close of business on 9 July 2020 (or, if the meeting is adjourned, at two working days before the time fixed for the adjourned meeting) shall be entitled to vote at the General Meeting in respect of the number of shares registered in their name at that time. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting or adjourned meeting.

5. In the case of joint holders of Shares, the vote of the first named in the register of members of the Company who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.

6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment meeting by following the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via *https://www.euroclear.com/CREST*). The message (regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time for receipt of proxy appointments specified in note 1 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his or her CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

7. Shareholders and their proxies will have the opportunity to ask questions in advance of the General Meeting. Shareholders may submit questions to the Board in advance of the General Meeting via email at investorrelations@mitie.com.

8. As at 29 October 2020 (being the latest practicable date prior to the publication of this notice), the Company's issued share capital consisted of 1,178,754,935 Shares carrying one vote each. 7,744,359 Shares were held in treasury and, accordingly, the total voting rights in the Company as at 29 October 2020 were 1,171,010,576.

9. A copy of this notice and other information required by section 311A of the Companies Act 2006 can be found on the Company's website *https://www.mitie.com/investors/shareholder-information/*.

10. You may not use any electronic address provided in either this notice of meeting to communicate with the Company for any purposes other than those expressly stated.

11. As soon as practicable after the General Meeting the results of voting will be announced via a regulated information service and made available on Mitie's website at *https://www.mitie.com/investors/shareholder-information/*.