

8Point8 Support Limited

Annual report and financial statements

Registered number 07370013

31 March 2023



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Company information

Directors

P J G Dickinson

M R Peacock

Secretary

Mitie Company Secretarial Services Limited

Registered office

Level 12

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Auditor

BDO LLP

Statutory Auditor

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Strategic report

8Point8 Support Limited (the "Company") is an indirect subsidiary of Mitie Group plc. Mitie Group plc, together with its subsidiaries, comprise the "Group".

The directors of the Company (the "Directors"), in preparing this Strategic report, have complied with Section 414C of the Companies Act 2006.

Review of the business

The principal activity of the Company is the provision of business support services in the mobile telecoms and digital out of home ("DOOH") industries, alongside some facilities management and renewable energy projects delivered over and above the main industries. There have not been any significant changes in the Company's principal activities in the year under review.

The Company is a services business which provides design and construction of critical telecoms and digital infrastructure for blue chip clients such as Telefonica, JCDecaux, Global, Ericsson and Wireless Infrastructure Group.

The Company was acquired by Mitie Technical Facilities Management Limited, a subsidiary of Mitie Group plc, in May 2022.

The results for the comparative period ended 31 March 2022 and the balance sheet at that date constitute a shortened accounting period of 6 months.

As shown in the income statement on page 15, the Company's revenue was £14,797,000 (6 month period ended 31 March 2022: £9,150,000) and the loss for the year was £5,722,000 (6 month period ended 31 March 2022: £711,000).

The financial performance of the business is led by the Telecoms Finance Director who supports and challenges the business units, similarly the Divisional Directors will support and challenge the commercial/financial controls within the business units to ensure compliance and overall performance is achieved.

During the year ended 31 March 2023, the Company grew its design and build functions significantly following the acquisition by Mitie Technical Facilities Management Limited. This growth has enabled greater market share but together with a review of the required level of accrued income provisioning, this has resulted in an increased loss.

The Company has made investments in staff and technology to ensure it is ready for 5G projects, vendor swap programmes, and DOOH growth markets. The Company has invested in key staff, continues to look for better ways to improve the business and order-to-cash timeframes. There will be continued development of increases in 5G infrastructure build through Operators, Site owners and Vendors into the 2024 financial year. The Company's focus over the next two years is to work on the profitability of the contracts through rate increases and cost reduction programmes.

Key performance indicators

The Group manages its operations on a divisional basis. For this reason, the Directors do not believe further key performance indicators are necessary for an appropriate understanding of the performance and position of the Company. The performance of the Group's divisions is discussed in the Mitie Group plc annual report and accounts 2023, which does not form part of this report.

Principal risks and uncertainties

The Company is part of the Group and manages its risks in line with the Group's enterprise risk management framework. Details of this framework and information on the principal risks and uncertainties are given in the Mitie Group plc annual report and accounts 2023. The Directors have reviewed the Company's financial objectives alongside the risk profile for the Company and the significant risks and uncertainties have been detailed below.

Strategic report (continued)

Strategic risks

Economic and political uncertainties

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

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

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

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

- mix of long-term contract portfolio in both the public and private sectors;
- continual development of new and innovative solutions via Connected Workspace;
- focus on higher-margin growth opportunities;
- regular reviews of the sales pipeline;
- increasing spread of customer base, reducing reliance on individual customers;
- strategic account management programme;
- dedicated Finance, Risk and Intelligence Hub specialists scanning environment;
- utilising contract mechanisms to recharge cost increases;
- Coupa, Mitie's digital supplier platform ("DSP"), providing greater visibility of and ability to manage supply chain; and
- leveraging buying power to help mitigate the increase in cost of goods and services.

Competitive advantage

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

The year has witnessed many achievements for the Company, including but not limited to, a large number of high-profile contract wins resulting in greater market share. This focus on growth has resulted in a decrease in margins which has impacted the bottom line adversely. The Company's focus over the next two years is to work on the profitability of the contracts through rate increases and cost reduction programmes.

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

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

Strategic report (continued)

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

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

Business resilience

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

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

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

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

- key policies and associated operating procedures in place;
- dedicated specialist teams, including Risk, Information Systems, Finance, Occupational Health, Supply Chain and Intelligence Hub;
- maintained and updated crisis and business continuity plans for key activities across all Mitie operations, including key service providers;
- disaster recovery framework embedded and managed;
- stringent governance controls, including oversight from Risk Committee, with regular reporting to the Audit Committee and Board;
- close monitoring of supply chain to ensure continuity of critical supplies;
- internal and external compliance audits;
- certified to ISO 22301:2019 and working towards certificate of conformance for ISO 31000:2018;
- regular Mitie Group Executive testing of crisis management and business continuity scenarios;
- continuous horizon scanning via the Intelligence Hub, with regular alerts to teams on potential threats and significant events;
- critical Engineering and Technical Assurance Programme to help manage high-risk contracts;
- insurance cover in place to cover business interruption;
- colleagues can work from home without loss of any business-critical systems/applications;
- themes and root causes monitored from the results of audits to target specific actions; and
- DSP – supports the efficiency of Mitie supply chain processes (supplier onboarding/supplier health, Contract Lifecycle Management, Sourcing and Purchase to Pay).

Strategic report (continued)

Climate change and social impact

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

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

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

Financial risks

Reliance on material counterparties

In accordance with Group policies, before accepting a new customer, the Company uses external credit scoring systems to assess the potential customer's credit quality and define an appropriate credit limit which is reviewed regularly.

Regulatory risks

Regulatory

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

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

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

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

Strategic report (continued)

Health, safety and environment

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

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

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

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

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

Strategic report (continued)

People risks

Employees

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

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

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

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

Financial risk management

The Company does not enter into any hedging instruments, or any financial instruments for speculative purposes.

Appropriate trade terms are negotiated with suppliers and customers. Management reviews these terms and the relationships with suppliers and customers and manages any exposure on normal trade terms. The Company's requirement for additional funding is managed as part of the Group's financing arrangements.

Strategic report (continued)

Section 172 statement

The following disclosure describes how the Directors have had regard to the matters set out in Section 172(1) (a) to (f) and forms the statement required under Section 414CZA of the Companies Act 2006.

Stakeholders

The Directors consider the groups set out in the table below as its key stakeholders, which align with those of the Group. The Directors aim to understand the interests of each stakeholder through various methods, including information gathered and cascaded by both the divisional and senior leadership teams, and Group-wide engagement, both direct and indirect.

Stakeholder	Engagement activity	Important issues discussed
Customers	<ul style="list-style-type: none"> - Management of customer relationships by divisional leadership 	<ul style="list-style-type: none"> - Customer satisfaction - Labour market constraints - Governance and transparency - Social value
Shareholder	<ul style="list-style-type: none"> - Regular senior leadership meetings 	<ul style="list-style-type: none"> - Financial performance - Expanding the Company's suite of margin enhancement initiatives, incorporating the outsourcing of diverse functions - Environmental, Social and Governance matters
Communities and the environment	<ul style="list-style-type: none"> - Mitie Foundation - Local community events - Employee volunteering 	<ul style="list-style-type: none"> - Social value - Reduction in carbon emissions
Employees ¹	<ul style="list-style-type: none"> - All employee teams meetings - Internal communications updates through weekly Recap and monthly Download updates - Pulse surveys - Designated Group non-executive director, Jennifer Duvalier 	<ul style="list-style-type: none"> - Reward and recognition - Remuneration and benefits - Career opportunities and development
Suppliers	<ul style="list-style-type: none"> - Global supplier portal 	<ul style="list-style-type: none"> - Responsible procurement

Note:

1. The Company's workforce is employed through another Group company.

Consequences of any decision in the long-term

The Directors are aware that strategic decisions can have long-term implications on the Company and its stakeholders, and these decisions are carefully considered.

During the second half of the year, the Directors actively participated in expanding the Company's suite of margin enhancement initiatives. This phase of the program specifically targeted the business's Target Operating Model, encompassing the outsourcing of HR and Payroll, Finance, and IT functions. During the expansion of the suite of margin initiatives, the Directors diligently considered and managed various factors, including system testing, project resourcing and potential redundancies to ensure the continuing delivery of services.

Having regard to the interests of employees

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

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

Strategic report (continued)

Fostering business relationships with suppliers, customers and others

Suppliers

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

Customers

Customers are at the heart of the business and therefore the Directors consider that getting closer to customers and thus becoming more responsive to their needs, is important.

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

Impact of operations on the community and the environment

The Directors are supportive of the Group's initiatives to improve the impact of the operations of the Company on the community and the environment. One of the Company's directors is a member of the Group's Environment Social and Governance ("ESG") Committee. The committee provides oversight and governance for all of the Group's ESG initiatives, ensuring that they are aligned to the Group's purpose, promises and values. The committee was in place throughout the year following the acquisition of the Company by the Group.

Maintaining a high standard of business conduct

Ethical business practice

The Company has a duty to act responsibly and to show the highest levels of ethical and moral stewardship. A Group ethical business practice policy is in place which applies to all employees in relation to dealings with its people, agents, clients, suppliers, subcontractors, competitors, government officials, the public and investors.

To support this, there are a wide range of policies and training modules available including modern slavery, whistleblowing, anti-bribery and anti-corruption, business expenses and entertaining, and Mitie's employee handbook.

Good governance

The Company operates within a robust governance framework which includes processes and procedures set by the board of Mitie Group plc. This framework is applied throughout the Group and is adhered to by the directors of all of the Group's subsidiaries. This ensures consistency in decision-making which is crucial for achieving long-term success and creating sustainable value.

Details of how the Group complies with the UK Corporate Governance Code can be found in the Mitie Group plc annual report and accounts 2023.

The need to act fairly as between members of the company

The Company is a wholly owned subsidiary of the Group. The Directors operate within the governance framework for the Group and hold regular senior leadership meetings where items such as financial performance and people are discussed.

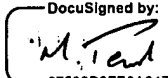
Subsequent events

There have been no significant events since the balance sheet date.

Future developments

The Directors expect the general level of activity to increase in the forthcoming year as a result of delivering on contracts won during the year.

Approved by the Board and signed on its behalf by:

DocuSigned by:

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M R Peacock
Director

15th July 2024

Directors' report

The Directors present the annual report and audited financial statements of 8Point8 Support Limited (the "Company") for the year ended 31 March 2023.

In preparing this Directors' report, the Directors have complied with Section 414C(11) of the Companies Act 2006 by including certain disclosures required by Section 416(4) within the Strategic report.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position are set out in the Strategic report. The financial statements have been prepared on a going concern basis. See Note 1c to the financial statements.

Directors

The Directors who held office during the year and up to the date of signing the financial statements were:

	Date of appointment	Date of resignation
P J G Dickinson	3 May 2022	
M R Peacock	3 May 2022	
M Debnam		3 May 2022
K M Hampson		3 May 2022
D S Storer		3 May 2022

Directors' indemnity

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of certain of the Directors listed above in respect of liabilities incurred as a result of their office to the extent permitted by law.

Dividends

There were no dividends during the year (6 months ended 31 March 2022: £nil).

Other information

An indication of likely future developments in the business, discussion of financial risk management, and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic report.

Disclosure of information to auditor

Each Director in office at the date of approval of these financial statements confirms that:

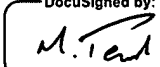
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with Section 418 of the Companies Act 2006.

Auditor

Pursuant to Section 487 of the Companies Act 2006, BDO LLP have been appointed as the auditor.

Approved by the Board and signed on its behalf by:

DocuSigned by:

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M R Peacock
Director

15th July 2024

Statement of Directors' responsibilities in respect of the Annual report and financial statements

The Directors are responsible for preparing the Annual report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of 8Point8 Support Limited

Disclaimer of opinion on the financial statements

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the financial statements of 8Point8 Support Limited (the "Company") for the year ended 31 March 2023 which comprise the Income statement, the Balance sheet, the Statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for disclaimer of opinion

We were unable to obtain sufficient appropriate audit evidence on the accrued income and deferred income balances held at 31 March 2023 which related to ongoing projects and are included in the Balance Sheet at £2,712,000 and £2,436,000 respectively because the directors were unable to provide the supporting evidence required. As a consequence, we are unable to obtain sufficient appropriate audit evidence on the revenue recorded for the year ended 31 March 2023 which is included in the Income Statement at £14,797,000. We were unable to satisfy ourselves by alternative means concerning these balances by using other audit procedures.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded accrued income, deferred income, and revenue, and the elements making up the Income statement, Balance sheet and Statement of changes in equity.

Other Companies Act 2006 reporting

Because of the significance of the matter described in the basis for the disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Notwithstanding our disclaimer of opinion on the financial statements, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit performed subject to the pervasive limitation described above, we have not identified material misstatements in the Strategic report or the Directors' report.

Arising from the limitation of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

Independent auditor's report to the members of 8Point8 Support Limited (continued)

- returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities in respect of the Annual report and financial statements, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- our understanding of the Company and the industry in which it operates;
- discussion with management; and
- obtaining an understanding of the Company's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be Financial Reporting Standard 102 and UK tax legislation.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation and Companies Act 2006.

Our procedures in respect of the above included:

- review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- review of financial statement disclosures and agreeing to supporting documentation; and
- review of legal expenditure accounts to understand the nature of expenditure incurred.

Independent auditor's report to the members of 8Point8 Support Limited (continued)

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- obtaining an understanding of the Company's policies and procedures relating to:
 - detecting and responding to the risks of fraud; and
 - internal controls established to mitigate risks related to fraud.
- discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be revenue recognition and management override.

Our procedures in respect of the above included:

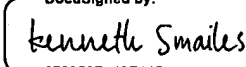
- testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- assessing significant estimates made by management for bias including revenue recognition, recoverability of accrued income and recoverability of deferred tax assets; and
- testing a sample of ongoing revenue contracts to supporting documentation to ensure they are correctly recorded.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it. In addition, the extent to which the audit was capable of detecting irregularities, including fraud was limited by the matters described in the Basis for disclaimer of opinion section of our report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Kenneth Smailes (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick, UK

16 July 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income statement

	Note	Year ended 31 March 2023 £000	6 month period ended 31 March 2022 £000
Revenue	2	14,797	9,150
Cost of sales ¹		<u>(18,465)</u>	<u>(8,963)</u>
Gross (loss)/profit		(3,668)	187
Administrative expenses		<u>(3,413)</u>	<u>(1,094)</u>
Operating loss	3	(7,081)	(907)
Finance income	7	-	17
Finance costs	8	<u>(200)</u>	<u>(87)</u>
Net finance costs		<u>(200)</u>	<u>(70)</u>
Loss before tax		(7,281)	(977)
Tax	9	<u>1,559</u>	<u>266</u>
Loss for the year/period		<u>(5,722)</u>	<u>(711)</u>

Note:

1. Includes Other items of Enil (6 month period ended 31 March 2022: £1,397,000). See Note 3.

The notes on pages 18 to 35 form an integral part of the financial statements.

The results are wholly attributable to the continuing operations of the Company.

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

Balance sheet

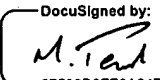
	Note	2023 £000	Re-presented ¹ 2022 £000
Non-current assets			
Intangible assets	10	203	264
Property, plant and equipment	11	49	206
Investments	12	-	49
Deferred tax assets	16	1,023	327
Total non-current assets		1,275	846
Current assets			
Inventories	13	425	695
Trade and other receivables	14	5,989	5,821
Current tax receivable		1,090	404
Cash and cash equivalents		88	130
Total current assets		7,592	7,050
Current liabilities			
Trade and other payables	15	(15,074)	(7,794)
Current tax payable		-	(444)
Total current liabilities		(15,074)	(8,238)
Net current liabilities		(7,482)	(1,188)
Non-current liabilities			
Trade and other payables	15	-	(143)
Total non-current liabilities		-	(143)
Net liabilities		(6,207)	(485)
Equity			
Share capital	19	-	-
Retained losses	19	(6,207)	(485)
Total equity		(6,207)	(485)

Note:

1. Balances as at 31 March 2022 have been re-presented to an alternative format. See Note 1c.

The notes on pages 18 to 35 form an integral part of the financial statements.

The financial statements of 8Point8 Support Limited, company number 07370013, were approved by the Board of Directors and authorised for issue on 15th July 2024 and were signed on its behalf by:

DocuSigned by:

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M R Peacock
 Director

Statement of changes in equity

	Share capital £000	Retained earnings/ (losses) £000	Total equity £000
At 1 October 2021	-	226	226
Loss for the period	-	(711)	(711)
Total comprehensive expense	-	(711)	(711)
At 31 March 2022	-	(485)	(485)
Loss for the year	-	(5,722)	(5,722)
Total comprehensive expense	-	(5,722)	(5,722)
At 31 March 2023	-	(6,207)	(6,207)

The notes on pages 18 to 35 form an integral part of the financial statements.

Notes to the financial statements

1 Accounting policies, judgements and estimates

a) General information

8Point8 Support Limited (the "Company") is a private company limited by shares and is incorporated and domiciled in the United Kingdom. Details of the Company's activities are set out in the Strategic report. The Company's financial statements are presented in pounds sterling, which is the Company's functional and presentational currency. All amounts have been rounded to the nearest thousand pounds, unless otherwise indicated.

The results for the comparative period ended 31 March 2022 and the balance sheet at that date constitute a shortened accounting period of 6 months.

b) Statement of compliance with FRS 102

These financial statements have been prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102") and the requirements of the Companies Act 2006.

c) Basis of preparation

Going concern

The financial statements have been prepared on a going concern basis. The Company participates in the centralised treasury arrangements and shared banking arrangements of Mitie Group plc, its ultimate parent, and of its fellow subsidiaries (together the "Group"). The Directors have received a letter of support from the directors of Mitie Group plc to confirm the provision of adequate financial resources to the Company for a period of not less than 12 months from the date of approval of the Company's statutory financial statements for the year ended 31 March 2023 to ensure that the Company can meet its liabilities as they fall due.

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

The Group's principal debt financing arrangements as at 31 March 2024 were a £250m revolving credit facility maturing in October 2027, which was undrawn as at 31 March 2024, and £150m of US private placement ("USPP") notes. These financing arrangements are subject to certain financial covenants which are tested every six months on a rolling 12-month basis.

In September 2023, the revolving credit facility was increased from £150m to £250m and its maturity date was extended to October 2027, on the same terms, with a further one-year extension option at the mutual agreement of all parties.

Of the USPP notes, £120.0m were issued in December 2022, split equally between 8, 10 and 12 year maturities, and with an average coupon of 2.94%. The Base Case Forecasts assume that the remaining £30.0m of USPP notes, which are due to mature in December 2024, will be replaced at higher interest rates (c. 6%).

The Group currently operates within the terms of its agreements with its lenders, with consolidated net cash (i.e. net cash adjusted for covenant purposes, primarily by the exclusion of lease liabilities) of £90.7m as at 31 March 2024. The Base Case Forecasts indicate that the Group will continue to operate within these terms and that the headroom provided by the Group's debt facilities currently in place is adequate to support the Group over the Going Concern Assessment Period.

Notes to the financial statements (continued)

1 Accounting policies, judgements and estimates (continued)

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

The primary financial risks related to adverse changes in the economic environment and/or a deterioration in commercial or operational conditions are listed below. These risks have been considered in the context of any further UK budgetary changes, global political uncertainties as well as an inflationary and potential recessionary economic environment:

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

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

- all stress test scenarios would require a very severe deterioration compared to the Base Case Forecasts. Revenue is considered to be the key risk, as this is less within the control of management. Revenue would need to decline by approximately 39% in the 12 months to 30 September 2026 compared to the Base Case Forecasts, which is considered to be very severe given the high proportion of the Group's revenue that is fixed in nature and the fact that even in a Covid-hit year, the Group's revenue excluding Interserve declined by only 1.6% in the year ended 31 March 2021; and
- in the event that results started to trend significantly below those included in the Base Case Forecasts, additional mitigation actions within the Group's control have been identified that would be implemented, which are not factored into the stress test scenarios. These include the short-term scaling down of capital expenditure, overhead efficiency/reduction measures including cancellation of discretionary bonuses and reduced discretionary spend, asset disposals and reductions in cash distributions and share buybacks.

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

Based on this assessment, and their enquiries of the directors of Mitie Group plc, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of no less than 12 months from the date of approval of the Company's financial statements for the year ended 31 March 2023. Accordingly, the financial statements have been prepared on a going concern basis.

Notes to the financial statements (continued)

1 Accounting policies, judgements and estimates (continued)

FRS 102 exemptions

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

- a cash flow statement and related notes;
- comparative period reconciliations for intangible assets, property, plant and equipment, and share capital;
- certain financial instruments disclosures;
- disclosures in respect of the compensation of Key Management Personnel; and
- disclosures in respect of related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Measurement convention

The financial statements are prepared on the historical cost basis.

Prior period re-presentations

Re-presentation to an alternative format

The Company has elected to adopt an alternative statutory format prescribed in the Accounting Regulations for the primary financial statements as permitted by FRS 102 and the Accounting Regulations, allowing for a format to be applied that is consistent with that of the consolidated Mitie Group plc annual report and accounts, which have been prepared under UK-adopted International Accounting Standards. The impact of this on the balance sheet as at 31 March 2022 represented balance sheet reclassifications related to: the separate presentation on the face of the balance sheet for current tax and deferred tax; the presentation of assets and liabilities on a current and non-current basis; and other minor presentational reclassifications and changes. There has been no change in the net assets as at 31 March 2022. There was also no change to the net assets as at 1 October 2021, as only similar presentational reclassifications were required.

Re-presentation with respect to rounding

The financial statements have been presented to the nearest thousand pounds. As the prior year financial statements were presented to the nearest pound, this change may have resulted in some immaterial rounding differences to the balances previously presented.

Other items

In the financial statements, the Company has elected to provide some further disclosures and performance measures, reported as 'Other items', in order to present its financial results in a way that demonstrates the performance of continuing operations.

Other items are items of financial performance which management believes should be separately identified to assist in understanding the underlying financial performance achieved by the Company. The Company separately reports items such as cost of restructuring programmes and other exceptional items as Other items. Should these items be reversed, disclosure of this would also be as Other items.

Separate presentation of these items is intended to enhance understanding of the financial performance of the Company in the period and the extent to which results are influenced by material unusual and/or non-recurring items. Further detail of Other items is set out in Note 3.

Notes to the financial statements (continued)

1 Accounting policies, judgements and estimates (continued)

d) Significant accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Revenue recognition

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

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

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

The Company uses the output method to recognise revenue based upon surveys of performance completed, appraisals of results achieved, or milestones reached that depict the direct measurements of value transferred to the customer.

Finance costs

Finance costs consist of interest and other costs that are incurred in connection with the borrowing of funds. Finance costs are recognised in the income statement in the period in which they are incurred.

Taxation

Taxation for the year represents the sum of current tax and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Intangible assets

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation expense is charged to the income statement on a straight-line basis so as to write off the cost of asset less its residual value over its useful life as follows.

Software: 5-8 years

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

Notes to the financial statements (continued)

1 Accounting policies, judgements and estimates (continued)

Property, plant and equipment

Property, plant and equipment is initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values, on a straight line basis, over their useful lives on the following bases:

Plant and vehicles: 2-6 years

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

Investments

Investments in a number of motor vehicles and bikes are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

Impairment of assets

At each reporting period end date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in the income statement. Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined using the first in first out method.

Inventories held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of inventories over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

The carrying amount of inventories sold is recognised as an expense in the period in which the related revenue is recognised.

Notes to the financial statements (continued)

1 Accounting policies, judgements and estimates (continued)

Financial instruments

The Company has applied the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

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

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

Financial assets

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

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Company transfers to another party substantially all of the risks and rewards of the ownership of the financial asset, or (c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are presented in trade and other payables in the balance sheet.

Classification of financial liabilities and equity instruments

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

Financial liabilities

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

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

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

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Notes to the financial statements (continued)

1 Accounting policies, judgements and estimates (continued)

Foreign currency

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

Employee benefits

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

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

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

Retirement benefits

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

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter. The related liability is included in the balance sheet as a finance lease obligation.

Lease payments are treated as consisting of capital and interest elements. The interest element is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability. The capital element of the future lease payments is treated as a liability.

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

Notes to the financial statements (continued)

1 Accounting policies, judgements and estimates (continued)

e) Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements under FRS 102 requires management to make judgements, estimates and assumptions that affect amounts recognised for assets and liabilities at the reporting date and the amounts of revenue and expenses incurred during the reporting period. Actual results may differ from these judgements, estimates and assumptions.

Critical judgements in applying the Company's accounting policies

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

Revenue recognition

The Company's revenue recognition policies, which are set out under Revenue recognition in Note 1d, are central to how the Company measures the work it has performed in each financial year.

Due to the size and complexity of the Company's contracts, management is required to form a number of key judgements in the determination of the amount of revenue and profits to record, and related balance sheet items such as accrued income and deferred income to recognised.

The Company undertakes a number of contracts which run over an extended period, which there is a key judgement as to the stage of completion. This stage is identified by reference to the total costs attributable to a contract, with budgets being created at the outset based on management experience.

Key sources of estimation uncertainty

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

Recoverability of accrued income

A provision has been applied to accrued income based on ageing, which in management's judgement reflects the risk of recoverability of certain balances contained within accrued income as at balance sheet date. Management applies judgement on specific allowances for impairment based on the information available at each reporting date, which includes information about past events, current conditions and forecasts of the future economic condition of customers.

Deferred tax assets

The Company has recognised deferred tax assets of £1,023,000 (2022: £327,000), refer to Note 16. Management has assessed recovery of these assets with reference to the Group's medium-term forecasts. Recovery of these assets is subject to the generation of taxable profits by the Group in future years.

Notes to the financial statements (continued)

2 Revenue

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

3 Operating loss

Operating loss is stated after charging/(crediting):

	Year ended 31 March 2023 £000	6 month period ended 31 March 2022 £000
Accrued income provision ¹	2,582	1,397
Depreciation of property, plant and equipment (Note 11)	34	75
Profit on disposal of property, plant and equipment	(36)	(3)
Amortisation of intangible assets (Note 10)	61	30
Impairment of investments (Note 12)	-	38
Operating lease charges	81	34

Note:

1. Includes Other items of £nil (6 month period ended 31 March 2022: £1,397,000).

4 Auditor's remuneration

The auditor's remuneration for the year ended 31 March 2023 was borne by Mitie Group plc and no allocation or recharge was made to the Company (6 month period ended 31 March 2022: £28,000, paid by the Company).

Fees paid to the Company's auditor and its associates for the year ended 31 March 2023 in respect of services other than the statutory audit of the Company have not been disclosed as the information is required to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Mitie Group plc.

Notes to the financial statements (continued)

5 Staff numbers and costs

Before the acquisition of the Company by the Group, 105 employees were directly employed by the Company (6 month period ended 31 March 2022: 115). After the acquisition 105 employees worked for the Company but were employed by another Group company and the associated costs were allocated to the Company for cost recharging purposes (6 month period ended 31 March 2022: nil). The aggregate payroll costs incurred by the Company were as follows:

	Year ended 31 March 2023 £000	6 month period ended 31 March 2022 £000
Wages and salaries	4,265	2,276
Social security costs	478	235
Pension costs	56	45
	<u>4,799</u>	<u>2,556</u>

6 Directors' remuneration

	Year ended 31 March 2023 £000	6 month period ended 31 March 2022 £000
Directors' emoluments	20	124
Company contributions to money purchase pension plans	-	2
	<u>20</u>	<u>126</u>

Number of Directors

	Year ended 31 March 2023	6 month period ended 31 March 2022
	<u>3</u>	<u>3</u>

Retirement benefits are accruing to the following number of Directors under:

Money purchase schemes	<u>3</u>	<u>3</u>
------------------------	----------	----------

The following Directors were also directors or employees of another Group company. They were remunerated by the company shown. It is not practicable to allocate their remuneration between their services as Directors of this company and as directors or employees of other Group companies.

Director	Remunerated by	Disclosed by
P J G Dickinson	Mitie Limited	Mitie Limited
M R Peacock	Mitie Limited	Mitie Limited

Notes to the financial statements (continued)

7 Finance income

	Year ended 31 March 2023 £000	6 month period ended 31 March 2022 £000
Other interest income	-	17
	<u>-</u>	<u>17</u>
	<u><u>-</u></u>	<u><u>17</u></u>

8 Finance costs

	Year ended 31 March 2023 £000	6 month period ended 31 March 2022 £000
Interest on bank loans and overdrafts	5	13
Interest payable to Group undertakings	119	-
Other interest on financial liabilities	56	70
Interest on finance leases and hire purchase contracts	3	3
Other interest payable	17	1
	<u>200</u>	<u>87</u>
	<u><u>200</u></u>	<u><u>87</u></u>

Notes to the financial statements (continued)

9 Tax

	Year ended 31 March 2023 £000	Restated ¹ 6 month period ended 31 March 2022 £000
Analysis of (credit)/charge in the year/period		
<i>UK corporation tax at 19% (6 month period ended 31 March 2022: 19%)</i>		
Current tax on loss for the year/period	(874)	111
Adjustments in respect of prior periods	11	-
Total current tax (credit)/charge	<u>(863)</u>	<u>111</u>
<i>Deferred tax (see Note 16)</i>		
Origination and reversal of temporary timing differences	(506)	(293)
Change in statutory tax rate	(188)	(84)
Adjustments in respect of prior periods	(2)	-
Total deferred tax credit	<u>(696)</u>	<u>(377)</u>
Total credit for the year/period	<u><u>(1,559)</u></u>	<u><u>(266)</u></u>
Tax reconciliation		
Loss before tax	(7,281)	(977)
Tax using the UK corporation tax rate of 19% (6 month period ended 31 March 2022: 19%)	(1,383)	(186)
Items not deductible for tax purposes	3	5
Change in statutory tax rate	(188)	(84)
Depreciation on assets not qualifying for tax allowances	-	5
Effect of revaluations of investments	-	7
Other tax adjustments	-	(13)
Adjustments in respect of prior periods	9	-
Total tax credit	<u><u>(1,559)</u></u>	<u><u>(266)</u></u>

Note:

1. Certain balances for the 6 month period ended 31 March 2022 have been re-presented to be consistent with current year disclosures.

The UK corporation tax rate has increased from 19% to 25% from 1 April 2023. This change has been substantively enacted at the balance sheet date and has therefore been incorporated into the deferred tax balances contained in these financial statements.

Notes to the financial statements (continued)

10 Intangible assets

	Software £000
Cost	
At 1 April 2022	418
At 31 March 2023	418
Amortisation and impairment	
At 1 April 2022	154
Amortisation charge	61
At 31 March 2023	215
Net book value	
At 1 April 2022	264
At 31 March 2023	203

11 Property, plant and equipment

	Plant and vehicles¹ £000
Cost	
At 1 April 2022	717
Additions	1
Disposals	(144)
At 31 March 2023	574
Accumulated depreciation	
At 1 April 2022	511
Charge for the year	34
Disposal	(20)
At 31 March 2023	525
Net book value	
At 1 April 2022	206
At 31 March 2023	49

Note:

1. Balances as at 31 March 2022 have been re-presented to an alternative format. See Note 1c.

Notes to the financial statements (continued)**11 Property, plant and equipment (continued)**

The net carrying value of property, plant and equipment includes the following in respect of assets held under finance leases or hire purchase contracts.

	2023	2022
	£000	£000
Plant and vehicles	-	105
	<u> </u>	<u> </u>

12 Investments

	2023	2022
	£000	£000
Unlisted investments	-	49
	<u> </u>	<u> </u>

Investments represent specialist motor vehicles and other similar assets held for their appreciation in value.

Included in the above assets with a value of £nil (2022: £49,000) are assets held under hire purchase contracts.

	£000
Cost	
At 1 October 2021	87
	<u> </u>
At 31 March 2022	87
Disposals	(87)
	<u> </u>
At 31 March 2023	<u> </u>
Impairment	
At 1 October 2021	-
Charge for the year	38
	<u> </u>
At 31 March 2022	38
Disposals	(38)
	<u> </u>
At 31 March 2023	<u> </u>
Net book value	
At 31 March 2022	49
	<u> </u>
At 31 March 2023	<u> </u>

Notes to the financial statements (continued)**13 Inventories**

	2023 £000	2022 £000
Raw materials and consumables	<u>425</u>	<u>695</u>

14 Trade and other receivables

	2023 £000	Re-presented ¹ 2022 £000
Trade receivables	1,706	2,037
Amounts owed by Group undertakings	965	-
Prepayments	178	541
Accrued income	2,712	1,845
Other receivables	428	1,398
	<u>5,989</u>	<u>5,821</u>

Note:

1. Balances as at 31 March 2022 have been re-presented to an alternative format. See Note 1c.

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

Amounts owed by Group undertakings are repayable on demand.

Notes to the financial statements (continued)

15 Trade and other payables

	2023 £000	Re-presented ¹ 2022 £000
Bank loans and overdrafts	-	356
Obligations under finance leases (Note 17)	-	80
Other borrowings	-	183
Trade payables	2,087	2,337
Amounts owed to Group undertakings	8,270	-
Other taxes and social security	182	1,509
Accruals	2,005	465
Deferred income	2,436	1,579
Other payables	94	1,428
	<u>15,074</u>	<u>7,937</u>
Current	15,074	7,794
Non-current	-	143
	<u>15,074</u>	<u>7,937</u>

Note:

1. Balances as at 31 March 2022 have been re-presented to an alternative format. See Note 1c.

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

Amounts owed to Group undertakings are repayable on demand. Included within these amounts are £3,900,000 (2022: £nil) relating to interest bearing loans at 5% per annum (2022: n/a).

Included within bank loans and overdrafts is an amount of £nil (2022: £356,000) due within one year relating to an invoice financing facility.

Other borrowings include an amount of £nil (2022: £183,000) relating to borrowings due for repayment by instalments and have been fully repaid in May 2022. Interest was charged at a rate of 8.9%.

16 Deferred tax assets/(liabilities)

	Accelerated capital allowances £000	Provisions £000	Total £000
At 1 October 2021	(50)	-	(50)
Recognised in income statement	50	327	377
At 31 March 2022	-	327	327
Recognised in income statement	23	673	696
At 31 March 2023	<u>23</u>	<u>1,000</u>	<u>1,023</u>

Deferred tax has been calculated using tax rates that were substantively enacted at the balance sheet date (see Note 9).

Notes to the financial statements (continued)**17 Finance lease obligations**

	2023 £000	2022 £000
Future minimum lease payments due under finance leases:		
Within one year	-	44
In two to five years	-	42
	<u>-</u>	<u>86</u>
Less: future finance charges	-	(6)
	<u>-</u>	<u>80</u>
	<u>-</u>	<u>80</u>

Future lease payments represent rentals payable by the Company for certain items of plant and vehicles. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term was 3 years. All leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments. Finance leases were secured over the assets to which they relate.

18 Operating lease commitments

The Company had future minimum lease payments under non-cancellable operating leases as follows:

	2023 £000	2022 £000
Plant and vehicles		
Within one year	137	17
In two to five years	74	22
	<u>211</u>	<u>39</u>
	<u>211</u>	<u>39</u>

Notes to the financial statements (continued)**19 Equity**

Share capital	2023	2022	2023	2022
	Number	Number	£000	£000
Ordinary-A shares of £1 each	164	190	-	-
Ordinary-B shares of £1 each	37	10	-	-
			<u> </u>	<u> </u>
			<u> </u>	<u> </u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank pari passu in all respects other than restrictions exist for Ordinary-B shares in relation to the right to transfer shares to third parties.

During the year there was a re-designation of 26 Ordinary-A shares to Ordinary-B shares and an issue of 1 Ordinary-B share pursuant to an EMI option executed in May 2022.

Retained losses

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

20 Related parties

The Company has taken advantage of the exemption under paragraph 1A of section 33 of FRS 102 not to disclose transactions with fellow wholly owned subsidiaries within the Group.

No balances were outstanding from Directors as at 31 March 2023 (2022: £685,000 due from Directors, reported in other receivables).

21 Subsequent events

There were no material post balance sheet events that require adjustment or disclosure.

22 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Mitie Technical Facilities Management Limited which is the immediate parent company incorporated in the United Kingdom. The ultimate controlling party is Mitie Group plc, a company incorporated in the United Kingdom with its registered office at 35 Duchess Road, Rutherglen, Glasgow, G73 1AU. Mitie Group plc is the parent company of the largest and smallest groups into which the accounts of the Company are consolidated. The consolidated financial statements of Mitie Group plc are available to the public and may be obtained from the Company Secretary at Level 12, The Shard, 32 London Bridge Street, London, SE1 9SG or from www.mitie.com.