

Mitie Client Services Limited

Annual report and financial statements

Registered number 06329913

31 March 2021

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Mitie Client Services Limited
Annual report and financial statements
31 March 2021

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Company information

Directors

P J G Dickinson
S C Kirkpatrick

Secretary

Mitie Company Secretarial Services Limited

Registered office

Level 12
The Shard
32 London Bridge Street
London
SE1 9SG

Auditor

BDO LLP
Statutory Auditor
55 Baker Street
London
United Kingdom
W1U 7EU

Strategic report

Mitie Client Services Limited (the "Company") is a 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 trade and net assets of the company have undergone a transfer of going concern to Mitie Security Limited on 30 April 2020 and the Company has not traded after this date.

Prior to the transfer of trade the principal activity of the Company was the provision of reception, helpdesk, training and event management facilities for banking, legal and commercial venues.

As shown in the Company's profit and loss account on page 11, the Company's turnover was £1,279,000 (2020: £22,383,000) and the profit after tax was £126,000 (2020: £1,822,000).

For the year ended 31 March 2021, a net amount of £151,000 (2020: £nil) was received representing UK Government grants under the Coronavirus Job Retention Scheme. Refer to Note 3.

These financial statements have been prepared on a basis other than that of a going concern.

Key performance indicators

The Group manages its operations on a divisional basis. For this reason, the Company's Directors do not believe further key performance indicators are necessary for an appropriate understanding of the performance and position of the business. The performance of the Group's divisions is discussed in the 2021 Mitie Group plc Annual Report and Accounts which does not form part of this report.

Principal risks and uncertainties

The Company transferred its trade and net assets to Mitie Security Limited on 31 March 2020 and there are no significant risks or uncertainties.

Financial risk management

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

The Company's requirement for additional funding is managed as part of the overall Mitie Group plc financing arrangements.

Strategic report *(continued)*

Section 172 statement

Mitie Client Services Limited is part of the Mitie Group of companies. Mitie Group plc's ("Mitie(s)") board of directors are referred to in this statement as the "Board".

The following disclosure describes how the directors of the Company (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.

Note: The Company transferred its assets and liabilities to Mitie Security Limited on 30 April 2020. Accordingly, the following disclosure includes only relevant information.

Stakeholders

The Directors consider the groups set out in the table below as its key stakeholders, these align with that of the wider Group. Through various methods, including information gathered and cascaded by both the divisional and senior leadership teams, and group wide engagement, both direct and indirect, the Directors aim to understand the factors and respective interests of each.

Stakeholder	Engagement activity	Important issues discussed
Shareholder	<ul style="list-style-type: none"> - Regular senior leadership meetings 	<ul style="list-style-type: none"> - Financial performance - COVID-19 response
Suppliers	<ul style="list-style-type: none"> - Supplier workshops - Global supplier portal 	<ul style="list-style-type: none"> - COVID-19 response - Responsible procurement - Prompt payment code

Fostering business relationships with suppliers, customers and others

Suppliers

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

Example: Mitie continues to leverage and improve its SMF to develop its partnership with key suppliers. The framework provides a mechanism for scoring a supplier's performance and jointly reviewing it to create action plans which unlock new value for both parties. As the SMF develops, a greater percentage of Mitie's spend is being brought into scope. As part of the ethical and sustainable supply metric, all SMF-managed suppliers will be scored and have their performance reviewed on meeting Mitie's social value policy, their carbon reduction plans, actions to reduce environmental impact, Modern Slavery Act compliance and innovations to support Mitie's Plan Zero and social value initiatives.

Example: Mitie's supply chain was not immune to the impacts of Brexit and COVID-19, however, by adopting a flexible and responsive attitude the procurement teams managed the inherent risks so that the impact was low. COVID-19 had a major impact early on with PPE suppliers under pressure from Central Government and other customers, Mitie's response, wholly supported by the Directors', was to set up a completely new supply chain, storage and distribution solution. This benefited the whole Mitie business and customer base and continues to play a strategic part in the COVID-19 response.

Impact of operations on the community and the environment

The Directors are supportive of Mitie's initiatives to improve the operations of the company on the community and the environment. One of the Company's Directors is a member of Mitie's Social Value and Responsible Business Committee.

Example: The Directors were involved in discussions around the impact of the Interserve acquisition on Mitie's Plan Zero commitment, specifically on Mitie targets and on the wider social value agenda and the expansion of the work of the Mitie Foundation agenda to include Interserve FM geographical areas.

The Social Value and Responsible Business Committee analysed the effect of the acquisition on Mitie's Social Value targets and new targets, still ambitious, yet practical, have been agreed as a consequence.

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Strategic report (continued)

Section 172 statement (continued)

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. This framework is applied throughout the Mitie Group and is adhered to by the directors of all of Mitie's subsidiaries. This ensures consistency in decision making which is crucial for achieving long term success and creating sustainable value.

Details of how Mitie complies with the UK Corporate Governance Code can be found in the 2021 Mitie Group plc Annual Report and Accounts.

The need to act fairly as between members of the company

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

Future developments

The Directors expect the general level of trading activity to be nil in the forthcoming year following the transfer of trade and net assets to Mitie Security Limited on 30 April 2020.

Post balance sheet events

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

Approved by the Board and signed on its behalf by:

DocuSigned by:
S C Kirkpatrick
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Director

9 July 2021

Directors' report

The Directors present the Annual report and audited financial statements of Mitie Client Services Limited for the year ended 31 March 2021.

In preparing this Directors' report, the Directors have complied with S414C(11) of the Companies Act 2006 by including certain disclosures required by S416(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 Company transferred its trade, assets and liabilities to Mitie Security Limited on 30 April 2020. The Directors have prepared the financial statements on a basis other than that of a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis. All assets and liabilities have been transferred to the fellow subsidiary company at fair value, being equivalent to their book value.

Directors

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

Director

P J G Dickinson
S C Kirkpatrick

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 each of the Directors listed above in respect of liabilities incurred as a result of their office to the extent permitted by law.

Dividends

No dividend was declared or paid in the year (2020: £nil).

COVID-19 and current trading

In line with the Group approach, the Company established three overriding priorities to guide its response to the COVID-19 crisis: protecting the health and safety of colleagues, customers, other business partners and the communities that it serves; ensuring that its business is able to continue to operate with minimal disruption; and to deliver the essential services it provides to its customers. The trade and net assets of the Company have undergone a transfer of going concern to Mitie Security Limited on 30 April 2020 and the Company has not traded after this date.

Environment

The Group endeavours to identify, monitor and manage the impact of their activities on the environment and is fully committed to environmental accountability and protection. The Company operates in accordance with Group policies which are described in the Group's annual report which does not form part of this report.

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.

Directors' report *(continued)*

Disclosure of information to auditor

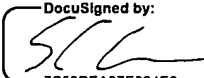
Each Director in office as at the date of this Directors' report confirms that:

- 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.

DocuSigned by:

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S C Kirkpatrick
Director

Level 12
The Shard
32 London Bridge Street
London
SE1 9SG

9 July 2021

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

The Directors are responsible for preparing the Strategic report, the Directors' report and the 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 101 *Reduced Disclosure Framework*.

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. As explained in Note 1 to the financial statements, the Directors do not believe the going concern basis to be appropriate and, in consequence, these financial statements have been prepared on a basis other than that of a going concern.

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 are also responsible for prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Mitie Client Services Limited

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Mitie Client Services Limited ("the Company") for the year ended 31 March 2021 which comprise the Profit and Loss Account, the Balance Sheet and Statement of Changes in Equity and 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 101 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Emphasis of matter - Basis of Preparation

We draw attention to note 1 (c) in the financial statements which indicates that as the Company transferred its trade, assets and liabilities to fellow subsidiary Mitie Security Limited on 30th April 2020, the directors do not consider the company to be a going concern and accordingly the accounts have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report and the financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, 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.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

Independent auditor's report to the members of Mitie Client Services Limited *(continued)*

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;

- adequate accounting records have not been kept, or 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; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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:

- We gained an understanding of the legal and regulatory framework applicable to the entity and the industry in which it operates, through discussion with management and our knowledge of the industry. We focussed on significant laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006, Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice), Health and Safety, the Bribery Act 2010 and tax legislations.
- We considered compliance with these laws and regulations through discussions with management and in-house legal counsel. Our procedures also included reviewing minutes from board meetings of those charged with governance to identify any instances of non-compliance with laws and regulations.
- We assessed the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. We performed a detailed review of the entity's year end adjusting entries and journals throughout the year, investigated any that appeared unusual as to nature or amount; assessed whether the judgements made in accounting estimates were indicative of a potential bias.
- We identified areas at risk of management bias and reviewed key estimates and judgements applied by Management in the financial statements to assess their appropriateness.
- We 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.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent auditor's report to the members of Mitie Client Services Limited *(continued)*

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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Jonathan Gilpin (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham, UK
Date: 9 July 2021

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

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Profit and loss account

	<i>Note</i>	2021 £000	2020 £000
Turnover	2	1,279	22,383
Cost of sales		(1,248)	(19,403)
Other income	3	147	-
		<hr/>	<hr/>
Gross profit		178	2,980
Administrative expenses		(20)	(800)
Other operating income	3	4	-
		<hr/>	<hr/>
Operating profit		162	2,180
Interest receivable and similar income	7	-	61
		<hr/>	<hr/>
Profit before tax		162	2,241
Tax	8	(36)	(419)
		<hr/>	<hr/>
Profit for the year		126	1,822
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 14 to 26 form an integral part of the financial statements.

The results for the year are wholly attributable to the discontinued operations of the Company.

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

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Balance sheet

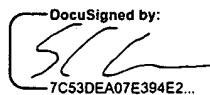
	Note	2021 £000	2020 £000
Non-current assets			
Deferred tax asset	11	-	5
Total non-current assets		-	5
Current assets			
Debtors	9	5,415	4,368
Cash at bank and in hand		-	3,626
Total current assets		5,415	7,994
Current liabilities			
Creditors ¹	10	(54)	(1,973)
Current tax payable		-	(784)
Provisions	12	-	(7)
Total current liabilities		(54)	(2,764)
Net current assets		5,361	5,230
Net assets		5,361	5,235
Capital and reserves			
Share capital	13	206	206
Share premium account	13	194	194
Profit and loss reserve	13	4,961	4,835
Shareholders' funds		5,361	5,235

Note:

1. The creditors balance as at 31 March 2020 has been re-presented to exclude current tax payable which is now presented on a separate line within current liabilities.

The notes on pages 14 to 26 form an integral part of the financial statements.

The financial statements of Mitie Client Services Limited, company number 06329913, were approved by the Board of Directors and authorised for issue on 9 July 2021 and were signed on its behalf by:

DocuSigned by:

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S C Kirkpatrick
 Director

Statement of changes in equity

	Share capital £000	Share premium account £000	Profit and loss reserve £000	Total equity £000
At 1 April 2019	206	194	3,030	3,430
Profit for the year	-	-	1,822	1,822
Total comprehensive income	-	-	1,822	1,822
Share-based payments	-	-	(17)	(17)
At 31 March 2020	206	194	4,835	5,235
At 1 April 2020	206	194	4,835	5,235
Profit for the year	-	-	126	126
Total comprehensive income	-	-	126	126
At 31 March 2021	206	194	4,961	5,361

The notes on pages 14 to 26 form an integral part of the financial statements.

Notes

1 Accounting policies, judgements and estimates

a) General information

Mitie Client Services Limited (the "Company") is a private company limited by shares and is incorporated in England and Wales and domiciled in the United Kingdom. Details of the Company's activities are set out in the Strategic report.

The Company is exempt, by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. The Company's ultimate parent undertaking, Mitie Group plc includes the Company in its consolidated financial statements. The consolidated financial statements of Mitie Group plc have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and with International Financial Reporting Standards ("IFRS") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. They are available to the public and may be obtained from www.mitie.com.

b) Statement of compliance with FRS 101

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

c) Basis of preparation

Going concern

As explained in the Directors' report, the Company has transferred its trade, assets and liabilities to Mitie Security Limited on 30 April 2020. The Directors have prepared the financial statements on a basis other than that of a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis. All assets and liabilities have been transferred to the fellow subsidiary company at fair value, being equivalent to their book value.

FRS 101 exemptions

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital;
- the statement of compliance with Adopted IFRS;
- certain disclosures required by IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15");
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of Key Management Personnel; and
- disclosure in respect of related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

As the consolidated financial statements of Mitie Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of Group settled share based payments; and
- certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instruments: Disclosures*.

Notes *(continued)*

1 Accounting policies, judgements and estimates *(continued)*

c) Basis of preparation *(continued)*

Accounting standards that are newly effective in the current year

There are no new and mandatorily effective standards in the year that would have a material impact on the financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis.

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 policy

The Company operates contracts with a varying degree of complexity across its service lines, so a range of methods is used for the recognition of revenue based on the principles set out in IFRS 15. Revenue represents income recognised in respect of services provided during the 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. It is based on the transfer of control of goods and services to customers and replaces the separate models for goods, services and construction contracts.

Step 1 - Identify the contract(s) with a customer

For all contracts with customers, the Company determines if the arrangement creates enforceable rights and obligations. This assessment results in certain Framework arrangements or Master Service Agreements ("MSAs") not meeting the definition of contracts under IFRS 15 unless they specify the minimum quantities to be ordered. Usually the work order and any change orders together with the Framework or MSA will constitute the IFRS 15 contract.

Duration of contract

The Company 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, the Company 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

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, the Company 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. 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.

Notes (continued)**1 Accounting policies, judgements and estimates (continued)****d) Significant accounting policies (continued)***Step 2 - Identify the performance obligations in the contract*

Performance obligations are the contractual promises by the Company to transfer distinct goods or services to a customer. For arrangements with multiple components to be delivered to customers such as in the Company's integrated facilities management contracts, the Company applies judgement to consider whether those promised goods or services are:

- i. distinct and accounted for as separate performance obligations;
- ii. combined with other promised goods or services until a bundle is identified that is distinct; or
- iii. part of a series of distinct goods or services that are substantially the same and have the same pattern of transfer over time i.e. where the customer is deemed to have simultaneously received and consumed the benefits of the goods or services over the life of the contract, the Company 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 the Company 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, resulting from e.g. discounts, rebates, service penalties. Variable consideration is typically estimated based on the expected value method and is only recognised to the extent it is highly probable that a subsequent change in its estimate would not result in a significant revenue reversal.

Step 4 - Allocate the transaction price to the performance obligations in the contract

The Company 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, the Company determines if revenue will be recognised over time or at a point in time. Where revenue is recognised over time, the Company applies the relevant output or input revenue recognition method for measuring progress that depicts the Company's performance in transferring control of the goods or services to the customer.

Certain long-term contracts use output methods based upon surveys of performance completed, appraisals of results achieved, or milestones reached which allow the Company to recognise revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services under the contract.

Under the input method, measured progress and revenue are recognised in direct proportion to costs incurred where the transfer of control is most closely aligned to the Company's efforts in delivering the service.

Where deemed appropriate, the Company will utilise the practical expedient within IFRS 15, allowing revenue to be recognised at the amount which the Company has the right to invoice, where that amount corresponds directly with the value to the customer of the Company'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.

Repeat service-based contracts (single and bundled contracts)

The Company operates a number of single or joint-service line arrangements where repeat services meet the definition of a series of distinct services that are substantially the same (e.g. the provision of cleaning, security, catering, waste, and landscaping services). They have the same pattern of transfer of value to the customer as the series constitutes core services provided in distinct time increments (e.g. monthly or quarterly). The Company therefore treats the series of such services as one performance obligation.

Notes (continued)

1 Accounting policies, judgements and estimates (continued)

d) Significant accounting policies (continued)

Short-term service-based arrangements

The Company delivers a range of other short-term service based performance obligations and professional services work 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.

Sales of goods are recognised when goods are delivered and control has passed to the customer.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all conditions attaching to the grant will be complied with. Government grants that compensate the Company for expenses incurred are recognised in the profit and loss account over the periods necessary to match the grant with the related costs. Where the expenses incurred are recognised in cost of sales, the associated Government grants are recognised as Other income. Where the expenses incurred are recognised in administrative expenses, the Government grants are recognised as Other operating income.

Other revenue

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Contract costs

The Company 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 balance sheet:

- i. the costs directly relate to the contract (e.g. direct labour, materials, sub-contractors);
- ii. the Company is building an asset that belongs to the customer that will subsequently be used to deliver contract outcomes; and
- iii. the costs are expected to be recoverable i.e. the contract is expected to be profitable after amortising the capitalised costs.

Contract fulfilment costs covered within the scope of another accounting standard, such as inventories, intangible assets, or tangible fixed assets are not capitalised as contract fulfilment assets but are treated in accordance with the other standard.

Amortisation and impairment of contract assets

The Company 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 profit or loss 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 or disposal.

Management is required to determine the recoverability of contract related assets at each reporting date. An impairment exists if the carrying amount of any asset exceeds the amount of consideration the entity expects to receive in exchange for providing the associated goods and services, less the remaining costs that relate directly to providing those goods and services under the relevant contract. In determining the estimated amount of consideration, management uses the same principles as it does to determine the contract transaction price which includes estimates around variable consideration. An impairment is recognised immediately where such losses are forecast.

Notes (continued)

1 Accounting policies, judgements and estimates (continued)

d) Significant accounting policies (continued)

Accrued income and deferred income

The Company'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, the Company recognises accrued income for the difference. Where revenue recognised at the period end date is less than amounts invoiced, the Company recognises deferred income for the difference.

Certain arrangements with customers include a contractual obligation to make redundancies for which the Company is reimbursed for the costs incurred. Revenue is not recognised on these transactions. Instead, the Company expenses all redundancy costs in the period they are incurred and any reimbursement credit is matched against the associated cost included in the profit and loss account up to the value of the redundancy cost incurred. Any cash payments received from the customer in excess of the reimbursement cost of redundancy are deferred over the contract term and unwound in line with the other services being delivered.

Where price step-downs are required in a contract and output is not decreasing, revenue is deferred from initial periods to subsequent periods in order for revenue to be recognised on a consistent basis.

Providing the option for a customer to obtain extension periods or other services at a significant discount may lead to a separate performance obligation where a material right exists. Where this is the case, the Company 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.

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 profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based upon tax rates and legislation that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities or when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Notes (continued)

1 Accounting policies, judgements and estimates (continued)

d) Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. The Company derecognises financial assets and liabilities only when the contractual rights and obligations are transferred, discharged or expire.

Financial assets comprise other debtors that are measured at initial recognition at fair value and subsequently at amortised cost. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Company recognises a loss allowance for expected credit losses ("ECLs") on receivable balances subsequently measured at amortised cost, using a lifetime credit loss approach. ECLs are calculated on the basis of historic and forward-looking data on default risk which is applied to customers with common risk characteristics such as sector type.

Financial liabilities comprise other creditors that are measured at initial recognition at fair value and subsequently at amortised cost.

Intra-group financial instruments

Where the Company enters into financial guarantee contracts, to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where management expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account 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 borrowing cost.

Share-based payments

The Company participates in a number of Mitie Group plc executive and employee share option schemes. For grants of share options and awards, the fair value as at the date of grant is calculated using the appropriate valuation model and the corresponding expense is recognised on a straight-line basis over the vesting period based on the Company's estimate of shares that will eventually vest. Further details of the Group's share option schemes are contained in the Mitie Group plc annual report.

Save As You Earn ("SAYE") options are treated as cancelled when employees cease to contribute to the scheme, resulting in an acceleration of the remainder of the related expense.

Notes (continued)

1 Accounting policies, judgements and estimates (continued)

e) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements under FRS 101 requires management to make judgements, estimates and assumptions that affect amounts recognised for assets and liabilities at the reporting date and the amounts of revenue and expenses incurred during the reporting period. Actual results may differ from these judgements, estimates and assumptions.

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 contract assets, accrued income and deferred income to recognise. This includes an assessment of the costs the Company incurs to deliver the contractual commitments and whether such costs should be expensed as incurred or capitalised. These judgements are inherently subjective and may cover future events such as the achievement of contractual performance targets and planned cost savings or discounts.

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

Recoverability of amounts owed by Group undertakings

The Company has material amounts owed by Group undertakings outstanding at year end. The judgement as to whether an amount has become irrecoverable is an assessment made by the Directors in the determination of the expected total credit loss recognised under IFRS 9. This assessment takes into consideration Group solvency and access to Group funding by the debtor. The Directors consider the full amount owed to be recoverable under IFRS 9.

Key sources of estimation uncertainty

There are no key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

2 Turnover

The Company derives all of its turnover from the provision of services to customers based in the UK.

Notes (continued)

3 Operating profit

Operating profit is stated after crediting:

	2021 £000	2020 £000
Other income ¹	147	-
Other operating income ¹	4	-
	<u>151</u>	<u>-</u>

Note:

1. For the year ended 31 March 2021, a net amount of £151,000 (2020: £nil) was received from a fellow group company who made a claim on the behalf of the Company and which represents UK Government grants received under the Coronavirus Job Retention Scheme of £151,000 (2020: £nil), relating to furloughed employees working for the Company.

4 Auditor's remuneration

The auditor's remuneration was borne by Mitie Group plc, no recharge (2020: £nil) was made to the Company.

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Mitie Group plc.

5 Staff numbers and costs

There were no persons employed by the Company (including Directors) during the year ended 31 March 2021 and 31 March 2020. However, 45 employees worked for Mitie Client Services Limited but were employed by another Group company and the associated costs were allocated to the Company for cost recharging purposes (2020: 548). The aggregate payroll costs incurred by the Company for allocated employees were as follows:

	2021 £000	2020 £000
Wages and salaries	1,004	13,271
Share-based payments	-	12
Social security costs	85	1,121
Termination and redundancy payments	2	6
Pension costs	24	302
	<u>1,115</u>	<u>14,712</u>

6 Directors' remuneration

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
S C Kirkpatrick	Mitie Limited	Mitie Limited

Notes (continued)

7 Interest receivable and similar income

	2021 £000	2020 £000
Interest receivable and similar income from Group undertakings	-	61
Total	-	61

8 Tax

	2021 £000	2020 £000
<i>Analysis of charge in the year</i>		
<i>UK corporation tax at 19% (2020: 19%)</i>		
Current tax on profit for the period	31	423
Adjustments in respect of prior periods	1	(3)
Total current tax	32	420
<i>Deferred tax (see note 11)</i>		
Origination and reversal of temporary timing differences	1	-
Restatement of opening deferred tax balances	-	(1)
Adjustments in respect of prior periods	3	-
Total deferred tax	4	(1)
Total charge for the year	36	419

	2021 £000	2020 £000
<i>Reconciliation of effective tax rate</i>		
Profit before tax	162	2,241
Tax using the UK corporation tax rate of 19% (2020: 19%)	31	426
Restatement of opening deferred tax balances	-	(1)
Items not deductible for tax purposes	-	1
Adjustments in respect of employee share options	1	(4)
Adjustments in respect of prior periods	4	(3)
Total tax charge	36	419

The UK corporation tax rate was due to reduce from 19% to 17% from 1 April 2020. This change is no longer occurring and as a consequence a credit of £nil (2020: £1,000) has been included in the tax charge. Deferred tax assets (note 11) reflect this change.

Mitie Client Services Limited
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Notes (continued)

9 Debtors

	2021	2020
	£000	£000
Trade debtors	-	871
Amounts owed by Group undertakings	5,415	1,692
Prepayments	-	335
Accrued income	-	1,285
Other debtors	-	185
	<hr/>	<hr/>
Total	5,415	4,368
	<hr/>	<hr/>

In the opinion of the Directors, the fair value does not materially differ from the carrying value.

Amounts owed by Group undertakings are repayable on demand.

Included within amounts owed by Group undertakings above, is £nil (2020: £103,000) relating to loans bearing interest at nil% per annum (2020: 5% per annum).

10 Creditors

	2021	2020¹
	£000	£000
Trade creditors	-	888
Amounts owed to Group undertakings	54	383
Other taxes and social security	-	271
Accruals	-	381
Other creditors	-	50
	<hr/>	<hr/>
Total	54	1,973
	<hr/>	<hr/>

Note:

1. The creditors balance as at 31 March 2020 has been re-presented to exclude current tax payable which is now presented on a separate line within current liabilities.

In the opinion of the Directors, the fair value does not materially differ from the carrying value.

Amounts due to Group undertakings are repayable on demand.

Notes (continued)

11 Deferred tax assets

Deferred tax assets are attributable to the following:

	2021 £000	2020 £000
Share-based payments	-	1
Provisions	-	4
	<hr/>	<hr/>
Net deferred tax assets	-	5
	<hr/>	<hr/>

Movement in deferred tax during the year

	1 April 2020 £000	Recognised in income £000	Transferred to another group company £000	31 March 2021 £000
Share-based payments	1	-	(1)	-
Provisions	4	(4)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	5	(4)	(1)	-
	<hr/>	<hr/>	<hr/>	<hr/>

Movement in deferred tax during the prior year

	1 April 2019 £000	Recognised in income £000	Transferred to another group company £000	31 March 2020 £000
Share-based payments	1	-	-	1
Provisions	3	1	-	4
	<hr/>	<hr/>	<hr/>	<hr/>
	4	1	-	5
	<hr/>	<hr/>	<hr/>	<hr/>

The UK corporation tax rate was due to reduce from 19% to 17% from 1 April 2020. This change is no longer occurring and as a consequence a credit of £nil (2020: £1,000) has been included in the tax charge. The deferred tax assets disclosed above reflect this change.

Notes (continued)

12 Provisions

	Insurance excess provision £000
At 1 April 2020	7
Transferred to another group company	(7)
	<hr/>
At 31 March 2021	-
	<hr/> <hr/>

The insurance reserve provides for the self-insured element of Fleet and Liability claims that will typically settle over three to five years. This includes a provision for claims that are expected but have not yet been reported.

13 Capital and reserves

Share capital authorised and fully paid

	2021 Number	2020 Number	2021 £000	2020 £000
Ordinary Shares				
A Ordinary shares at £1 each	204,000	204,000	204	204
B Ordinary shares at £0.01 each	196,000	196,000	2	2
C Ordinary shares at £1 each	1	1	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	400,001	400,001	206	206
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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.

Share premium account

The share premium account represents the premium arising on the issue of equity shares.

Profit and loss reserve

The profit and loss reserve comprises the retained earnings and losses of the Company, less amounts distributed to the Company's shareholder.

Dividends

No dividend was declared or paid in the year (2020: £nil).

14 Contingent liabilities

The Company is party with other Group undertakings to cross-guarantees of certain of each other's liabilities.

	2021 £000	2020 £000
Bank overdraft and loans	174,489	227,600
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

15 Related parties

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries within the Group.

During the year ended 31 March 2021, the Company generated revenue of £12,000 (2020: £nil) relating to Informa plc, a company whose non-executive director is also a non-executive director of Mitie Group plc, the ultimate controlling party of the Company. The outstanding balances at the year ended 31 March 2021 are £nil (2020: £nil).

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

16 Subsequent events

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

17 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Mitie Limited which is the immediate parent company incorporated in England and Wales. The ultimate controlling party is Mitie Group plc, a company incorporated in Scotland 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.