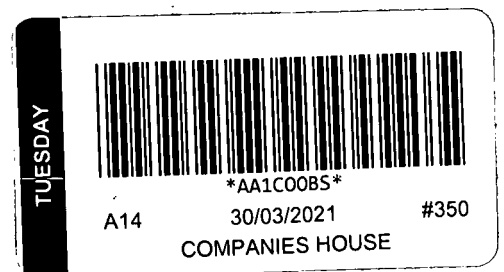


# **Mitie NI Limited**

**Annual report and financial statements**

**Registered number NI057012**

**31 March 2020**



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## **Company information**

### **Directors**

L Sheridan  
S C Kirkpatrick  
P J G Dickinson

### **Secretary**

Mitie Company Secretarial Services Limited

### **Registered office**

Mitec Operations Centre  
Unit 9B, First Floor  
Silverwood Business Park  
Silverwood Rd Lurgan  
Craigavon  
Northern Ireland  
BT66 6SY

### **Auditor**

BDO  
Statutory Audit Firm  
Beaux Lane House  
Mercer Street Lower  
Dublin 2

## **Directors' report**

The Directors present the annual report and audited financial statements of Mitie NI Limited (the "Company") for the year ended 31 March 2020.

The Company is part of the Mitie group of companies (the "Group"), the ultimate parent company being Mitie Group plc.

### **Strategic report**

The Directors have taken advantage of the exemption provided by section 414B of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 from preparing a strategic report.

### **Review of the business**

The principal activity of the Company is the provision of a comprehensive suite of outsourced integrated or single service facilities management services to banking, industrial and commercial ventures. There have not been any significant changes in the Company's principal activities in the year under review.

As shown in the income statement on page 9, the Company's revenue was £5,579,261 (2019: £5,123,563) and the profit for the year was £331,153 (2019: £186,657).

The increase in revenue was due to additional contracts won during the year and existing contracts performing better than the previous year. With lower cost of sales and other administrative expenses due to an ongoing focus on cost management, operating profit increased from £248,328 to £387,269 in the current financial year.

### **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 Mitie Group plc annual report and accounts 2020 which does not form part of this report.

### **Principal risks and uncertainties**

The Company is part of the Mitie Group and manages its risks within the Mitie Group Risk Framework. Details of the principal risks and uncertainties are given in the Mitie Group plc annual report and accounts 2020. The Directors have reviewed the financial risk management objectives and policies of the Company in light of the Group Risk Framework. The Directors do not believe there to be any significant risks other than those detailed below.

### **Strategic risks**

#### **COVID-19**

The COVID-19 pandemic has had an unprecedented impact on businesses and economic activity across the world. Almost every business has seen uncertainty in revenues, supplies and employee availability. Failure to monitor, respond to and plan for the ongoing and any future impacts of the COVID-19 pandemic, in particular the effect on employees, customers and the supply chain, could result in severe consequences for the financial health and reputation of the Company's business.

The Company has implemented a process of assessing the impact of the crisis, including the government imposed lockdown measures, seeking to establish new ways of working through the first phase and then starting to look at longer term plans once the UK lockdown starts to ease and business activity return to more normal levels. To manage the risk, crisis management and business continuity plans have been initiated, government support schemes are being utilised and working groups have been established at the Mitie Group level to monitor ongoing impacts and to direct actions.

#### **Impact of the UK leaving the European Union ("Brexit")**

The lack of clarity of the impact of Brexit on the UK may adversely affect our ability to plan and invest, as well as the availability of labour and materials.

## Directors' report *(continued)*

The impact of Brexit may also influence the decisions taken by both public and private sector clients on which activities should be outsourced and the amount of discretionary spend available for outsourcing activities. This may result in fewer opportunities for the Company and have a consequential negative impact on our financial performance.

Controls and mitigation plans have been put in place by the Group to mitigate such risks. These controls include, but are not limited to, having:

- a dedicated Chief Government and Strategy Officer and team;
- dedicated account managers to focus on growing integrated strategic accounts;
- a drive for greater customer retention and higher Net Promoter Scores through improvements in customer service;
- regular reviews of sales opportunities by all business sales leaders.

In conjunction with the above, it is important that we are able to offer competitive, innovative and high-quality solutions to clients, and demonstrate the value we bring to them. We also need to ensure we carefully monitor and identify the most appropriate opportunities in both the public and private sectors.

### Financial risks

#### *Reliance on material counterparties*

The Company depends on significant counterparties including clients, suppliers, banks and insurers, to maintain its business. The failure of a key business partner could affect the business. This risk is mitigated by limiting the dependency on any one partner.

### Operational risks

#### *Significant health, safety or environmental incidents*

The potential to cause harm to employees, clients, or to damage the environment, exists and is mitigated by an extensive Quality, Health, Safety and Environmental programme that is closely monitored.

#### *System, process or control failure*

Increased reliance on business systems necessitates a robust governance framework and set of processes. Failure of the framework could impact on operational performance. The Group's core policies provide the basis of the governance framework. These are subject to reviews which underpin the mitigation activity for this risk. These reviews are carried out alongside regular, formal, documented testing of business-critical systems.

#### *Attracting and retaining skilled people*

Failure to attract new talent and develop existing employees could impact growth. The Company utilises the Group's career development, recruitment and talent management programmes to ensure that it attracts and retains key people.

### 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 prepares regular forecasts of cash flow and liquidity and any requirement for additional funding is managed as part of the overall Mitie Group plc financing arrangements.

### Future developments

In the next financial year the Company will continue to look at growth opportunities in the Northern Ireland market that are within its principal activities. The strategy is to deliver sustainable, profitable growth, and is supported by a focus on the following six key elements.

- People: develop the best talent at every level of the business.
- Clients: provide world-class services to attract new clients and retain and expand contracts with existing clients.
- Operational excellence: deliver market-leading, innovative services with maximum efficiency.
- New markets and services: develop service capability in current markets and in markets that offer attractive growth opportunities.
- Risk: manage risk and protect the business and its brand.
- Responsibility: take a long-term view by acting responsibly.

## **Directors' report** *(continued)*

### **Post balance sheet events**

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

### **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 COVID-19 pandemic, as with most businesses has had a negative impact. While turnover has fallen slightly our business in Northern Ireland has exceeded expectations.

### **Going concern**

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

### **Directors**

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

<b>Director</b>	<b>Date of appointment</b>	<b>Date of resignation</b>
L Sheridan		
S C Kirkpatrick	30/01/2020	
P J G Dickinson		
M Idle		29/01/2020

### **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 Company's Directors listed above in respect of liabilities incurred as a result of their office to the extent permitted by law.

### **Dividends**

Total dividends of £900,000 were paid during the year (2019: £nil).

### **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.

### **Political contributions**

The Company made no political donations nor incurred any political expenditure during the year (2019: £nil).

## Directors' report *(continued)*

### Disclosure of information to auditor

Each Director who is the Director of the Company at the date of approval of these financial statements confirms that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have 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.

### Auditor

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

On behalf of the Board:

DocuSigned by:  
  
37A969FCCFEE428...  
**L Sheridan**  
Director

Mitec Operations Centre  
Unit 9B, First Floor  
Silverwood Business Park  
Silverwood Rd Lurgan  
Craigavon  
Northern Ireland  
BT66 6SY

25 March 2021

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

The Directors are responsible for preparing 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.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.





## Independent auditor's report to the members of Mitie NI Limited

### Opinion

We have audited the financial statements of Mitie NI Limited for the year ended 31 March 2020 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 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 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.

### 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 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 Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report and 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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



## Independent auditor's report to the members of Mitie NI Limited *(continued)*

### Matters on which we are required to report by exception

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 Directors' report.

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 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 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.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's 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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John O'Callaghan

(Senior Statutory Auditor)

for and on behalf of BDO

Statutory Audit Firm

AI223876

Mercer Street Lower

Dublin 2

25 March 2021

*Mitie NI Limited*  
*Annual report and financial statements*  
*31 March 2020*

## Income statement

	Note	2020 £	2019 <sup>1</sup> £
<b>Revenue</b>	2	<b>5,579,261</b>	5,123,563
Cost of sales		<b>(4,995,040)</b>	(4,646,016)
<b>Gross profit</b>		<b>584,221</b>	477,547
Administrative expenses		<b>(196,952)</b>	(229,219)
<b>Operating profit</b>	3	<b>387,269</b>	248,328
Finance income	7	<b>1,743</b>	2,514
Finance costs	8	<b>(1,404)</b>	-
<b>Profit before tax</b>		<b>387,608</b>	250,842
<b>Tax</b>	9	<b>(56,455)</b>	(64,185)
<b>Profit for the year</b>		<b>331,153</b>	186,657

Note:  
1. The Company has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. See Note 1.

The results for the year are wholly attributable to the continuing 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.

The notes on pages 12 to 30 form an integral part of these financial statements.

## Balance sheet

	Note	2020 £	2019 <sup>1</sup> £
<b>Non-current assets</b>			
Property, plant and equipment <sup>2</sup>	10	38,682	13,913
Deferred tax assets	14	5,132	-
<b>Total non-current assets</b>		<b>43,814</b>	<b>13,913</b>
<b>Current assets</b>			
Inventories	11	39,985	51,586
Trade and other receivables	12	916,132	896,436
Cash and cash equivalents		1,091,391	1,459,317
<b>Total current assets</b>		<b>2,047,508</b>	<b>2,407,339</b>
<b>Current liabilities</b>			
Trade and other payables <sup>3</sup>	13	(1,612,817)	(1,391,839)
Deferred income <sup>3</sup>		(19,646)	(34,657)
Lease liabilities <sup>4</sup>	17	(16,298)	-
Provisions	15	(10,636)	-
<b>Total current liabilities</b>		<b>(1,659,397)</b>	<b>(1,426,496)</b>
<b>Net current assets</b>		<b>388,111</b>	<b>980,843</b>
<b>Non-current liabilities</b>			
Lease liabilities <sup>4</sup>	17	(8,167)	-
Deferred tax liabilities <sup>5</sup>	14	-	(2,151)
<b>Total non-current liabilities</b>		<b>(8,167)</b>	<b>(2,151)</b>
<b>Net assets</b>		<b>423,758</b>	<b>992,605</b>
<b>Equity</b>			
Called up share capital	16	10	10
Capital contribution		-	485
Retained earnings	16	423,748	992,110
<b>Total equity</b>		<b>423,758</b>	<b>992,605</b>

- Note:
1. The Company has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. See Note 1.
  2. Property, plant and equipment at 31 March 2020 includes £30,060 of additional right-of-use assets recognised under IFRS 16. See Note 10.
  3. Trade and other payables as at 31 March 2019 have been re-presented to exclude deferred income which is now presented on a separate line within current liabilities.
  4. Lease liabilities at 31 March 2020 include £16,298 of additional current lease liabilities and £8,167 of additional non-current lease liabilities recognised under IFRS 16. See Note 17.
  5. Deferred tax liabilities as at 31 March 2019 have been re-presented from current to non-current liabilities.

The notes on pages 12 to 30 form an integral part of the financial statements.

The financial statements of Mitie NI Limited, company number NI057012, were approved by the Board of Directors and authorised for issue on 25 March 2021 and were signed on its behalf by:

DocuSigned by:

*Leslie Sheridan*  
37A989FCCFEE428...  
**L Sheridan**  
Director

## Statement of changes in equity

	Called up share capital £	Capital contribution £	Retained earnings £	Total equity <sup>1</sup> £
At 1 April 2018	10	485	805,453	805,948
Profit for the year	-	-	186,657	186,657
<b>Total comprehensive income</b>	-	-	186,657	186,657
<b>At 31 March 2019</b>	<b>10</b>	<b>485</b>	<b>992,110</b>	<b>992,605</b>
At 1 April 2019	10	485	992,110	992,605
Profit for the year	-	-	331,153	331,153
<b>Total comprehensive income</b>	-	-	331,153	331,153
Dividends paid (Note 16)	-	-	(900,000)	(900,000)
Transfer	-	(485)	485	-
<b>At 31 March 2020</b>	<b>10</b>	<b>-</b>	<b>423,748</b>	<b>423,758</b>

Note:

1. The Company has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option which has resulted in no impact on the Company's opening equity. Under this option, the comparative information is not restated. See Note 1.

The notes on pages 12 to 30 form an integral part of the financial statements.

## Notes

### 1 Accounting policies, judgements and estimates

#### a) General information

Mitie NI Limited (the "Company") is a private company limited by shares and is incorporated in Northern Ireland and domiciled in the UK. Details of the Company's activities are set out in the Directors' report.

#### 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

The company made a profit in the year. At 31 March 2020, it had net current assets of £388,111 including cash and cash equivalents of £1,091,391 (2019: £1,459,317). This, along with forecasts which show profitability going forward, means that the directors believe that the company has adequate resources to continue in operational existence for the foreseeable future. Therefore, these financial statements have been prepared on a going concern assumption.

##### 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 property, plant and equipment, and share capital;
- the statement of compliance with Adopted IFRSs;
- 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:

- 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)*

#### **Accounting standards that are newly effective in the current year**

With the exception of IFRS 16 *Leases* ("IFRS 16") which is discussed below, there are no new and mandatorily effective standards in the year that would have a material impact on the financial statements.

#### **Adoption of IFRS 16**

The Company adopted IFRS 16 with a date of initial application of 1 April 2019 using the modified retrospective approach whereby the right-of-use asset on transition equalled the lease liability, before the reclassification and adjustment of associated balance sheet items. The comparative information for the year ended 31 March 2019 has not been restated and continues to be reported under IAS 17.

The Company applied the following practical expedients available on transition to IFRS 16, to leases previously classified as operating leases:

- grandfathered the definition of a lease on transition and applied IFRS 16 only to those contracts that were previously identified as containing a lease. Contracts previously identified as not containing leases under IAS 17 and IFRIC 4 were not reassessed;
- relied on the Company's previous assessment of whether leases are onerous in accordance with IAS 37 immediately before the date of initial application as an alternative to performing an impairment review;
- not to recognise right-of-use assets and liabilities for leases of low value or for which the lease term ends within 12 months of the date of initial application, on a lease-by-lease basis;
- a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term in a similar class of underlying asset); and
- the use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

IFRS 16 eliminates the classification of leases as either operating or finance leases as required by IAS 17 and introduces a single accounting model. The Company changed its accounting policies and updated its internal processes and controls relating to leasing. The new definition of a lease has been applied to contracts entered into from 1 April 2019.

#### *Lease accounting policy*

At inception of a lease contract, the Company assesses whether the contract conveys the right to control the use of an identified asset for a certain period of time and whether it obtains substantially all the economic benefits from the use of that asset, in exchange for consideration. The Company recognises a lease liability and a corresponding right-of-use asset with respect to all lease arrangements in which it is a lessee.

A right-of-use asset is capitalised on the balance sheet at cost which comprises the present value of future lease payments determined at the inception of the lease adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred in addition to an estimate of costs to remove or restore the underlying asset. Where a lease incentive is receivable, the amount is offset against the right-of-use asset at inception. Right-of-use assets are depreciated using the straight-line method over the shorter of estimated life of the asset or the lease term and are reviewed for impairment to account for any loss when events or changes in circumstances indicate the carrying value may not be fully recoverable. Right-of-use assets exclude low-value leases and short-term leases of 12 months or less, costs for which are recognised as an operating expense within the income statement as they are incurred.

The lease liability is initially measured at amortised cost using the effective interest rate method to calculate the present value of future lease payments and is subsequently increased by the associated interest cost and decreased by lease payments made. The effective interest rate is based on estimates of relevant incremental borrowing costs. Lease payments made are apportioned between an interest charge and a capital repayment amount. Lease payments comprise fixed lease rental payments only with the exception of property leases, for which the associated fixed service charge is also included. Lease liabilities are classified between current and non-current on the balance sheet.

## Notes (continued)

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

The lease term comprises the non-cancellable period in addition to the determination of the enforceable period which is covered by an option to extend the lease, where it is reasonably certain that the option will be exercised, and the period covered by the option to terminate the lease to a point in time where no more than an 'insignificant penalty' is incurred. The Company assesses an insignificant penalty with reference to the wider economics of the lease including any investment in non-transferable leasehold improvements which may result in an impairment charge should the lease be terminated.

A modification to a lease which changes the lease payment amount (e.g. due to a renegotiation or market rent review) or amends the term of the lease, results in a reassessment of the lease liability with a corresponding adjustment to the right-of-use asset.

#### Impact on transition

The impact on the Company's opening balance sheet at 1 April 2019 as a result of the adoption of IFRS 16 was as follows:

	£
Net assets at 31 March 2019	992,605
Right-of-use assets recognised <sup>1</sup>	50,101
Lease liabilities recognised	(39,465)
Adjustment to dilapidations provision as a result of adopting the Company's incremental borrowing rate	(10,636)
Net assets at 1 April 2019	992,605

Note:  
1. The right-of-use assets recognised are included within property, plant and equipment. The amounts stated above exclude the finance leases already capitalised at the date of transition to IFRS 16.

The following is a reconciliation of operating lease commitments at 31 March 2019 to lease liabilities recognised at 1 April 2019.

	£
Operating lease commitments at 31 March 2019	21,794
Discount using the incremental borrowing rate at 1 April 2019	-
Discounted operating lease commitments	21,794
Reassessment of lease terms including extension and termination options reasonably certain to be exercised	17,671
Lease liabilities recognised at 1 April 2019	39,465

#### Measurement convention

The financial statements are prepared on the historical cost basis.



## Notes (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 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, judgement is applied 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

The Company's contracts may be amended for changes to customer requirements. 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, change to the total transaction price is estimated.

Contract modifications are accounted for as a separate contract if the contract scope changes due to the addition of distinct goods or services and the change in contract price reflects the standalone selling price of the distinct goods or services. If the price of additional distinct goods or services is not commensurate with the standalone selling prices for those goods or services, then this is considered a termination of the original contract and the creation of a new contract which is accounted for prospectively from the date of modification. Where new goods or services are not distinct from those in the original contract, then these are considered to form part of the original contract with any update to pricing recognised as a cumulative catch up to revenue. The facts and circumstances of any modification are considered in isolation as these are specific to each contract and may result in different accounting outcomes.

##### Step 2 - Identify the performance obligations in the contract

Performance obligations are the contractual promises by 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, judgement is applied 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.

## **Notes** *(continued)*

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

#### *Step 3 - Determine the transaction price*

At contract inception, the total transaction price is determined, being the amount to which management expects the Company 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, management 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.

#### **Long-term complex contracts**

The Company has a number of long-term complex contracts which are predominantly integrated facilities management arrangements. Typically, these contracts involve the provision of multiple service lines, with a single management team providing an integrated service. Such contracts tend to be transformational in nature where the business works with the customer to identify and implement cost saving initiatives across the life of the contract.

Management considers the majority of services provided within integrated facilities management contracts meet the definition of a series of distinct goods or services that are substantially the same and have the same pattern of transfer over time. The series constitutes services provided in distinct time increments (e.g. monthly or quarterly) and therefore the Company treats the series of such services as one performance obligation.

The Company also delivers major project-based services under long-term complex contracts that include performance obligations under which revenue is recognised over time as value from the service is transferred to the customer. This may be where the Company has a legally enforceable right to remuneration for the work completed to date, and therefore revenue will be recognised in line with the associated transfer of control.

#### **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. 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)*

#### **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.

#### **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.

#### **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 income statement 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.

#### **Foreign currency**

The financial statements are prepared in the functional currency applicable to the Company, which is Pounds Sterling. Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period.

Non-monetary items are measured in terms of historical cost in a foreign currency and are not retranslated.

#### **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.

## Notes (continued)

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

#### 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 income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. 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 income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

## Notes (continued)

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

#### Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is charged so as to write off the cost less expected residual value of the assets over their estimated useful lives and is calculated on a straight-line basis as follows:

Freehold buildings and long leasehold properties	50 years or lease term if shorter
Leasehold improvements	period of the lease
Plant and equipment, office equipment and vehicles	3-10 years

The Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs represent materials, direct labour and overheads incurred in bringing the inventories to their present condition and location. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and estimated selling costs. Provision is made for obsolete, slow moving or defective items where appropriate.

#### 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 cash and cash equivalents, and trade and other receivables. 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.

Cash and cash equivalents include cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. All of the Company's cash flows from customers are solely payments of principal and interest, and do not contain a significant financing component. Financial assets generated from all of the Company's revenue streams are therefore initially measured at their transaction price and are subsequently remeasured at amortised cost. The Company recognises a loss allowance for expected credit losses ("ECLs") on all receivable balances from customers 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 trade and other payables. These are measured at initial recognition at fair value and subsequently at amortised cost. Finance charges are accounted for on an accruals basis in the income statement.

## Notes (continued)

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

#### Retirement benefit costs

The Company operates a number of defined contribution retirement benefit schemes for all qualifying employees. Payments to the defined contribution and stakeholder pension schemes are charged as an expense as they fall due.

#### 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 income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

No provisions are recognised and only a disclosure in the financial statements is made for contingent liabilities. Contingent liabilities are possible obligations dependent on whether some uncertain future event occurs, or where a present obligation exists but payment is not probable, or the amount of payment cannot be measured reliably.

#### Dividends

Dividends are recognised in the financial statements in the period in which the shareholder's right to receive payment of the dividend is established.

## 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.

##### *Recoverability of trade receivables and accrued income*

The Company has material amounts of billed and unbilled work outstanding at 31 March 2020. Receivables are recognised initially at cost (being the same as fair value) and subsequently at amortised cost less any allowance for impairment, to ensure that amounts recognised represent the recoverable amount. The Company recognises a loss allowance for ECLs on all receivable balances from customers using a lifetime credit loss approach and includes specific allowance for impairment where there is evidence that the Company will not be able to collect amounts due from customers, subsequent to initial recognition. Management applies judgement on specific allowances for impairment based on the information available at each reporting date which includes an assessment of current disputes with customers over commercial positions, and where information suggests customers are facing significant financial difficulties. The judgement on specific allowance for impairments on receivables as at 31 March 2020 has included an assessment of COVID-19 impacts.

#### Key sources of estimation uncertainty

There were no 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.

### 2 Revenue

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

## Notes (continued)

### 3 Operating profit

Operating profit is stated after charging:

	2020 £	2019 £
Depreciation of property, plant and equipment (Note 10 and Note 17)	25,332	14,209
Foreign exchange loss	8,132	8,789

### 4 Auditor's remuneration

The audit fee for the year was £10,000 (2019: £8,561).

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

The average number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

	Number of employees	
	2020	2019
Management	8	8
Administration	5	5
Operations	211	230
	<u>224</u>	<u>243</u>

The aggregate payroll costs incurred by the Company were as follows:

	2020 £	2019 £
Wages and salaries	1,935,049	1,936,980
Social security costs	95,660	94,478
Pension costs	34,115	23,649
	<u>2,064,824</u>	<u>2,055,107</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
M Idle	Mitie Limited	Mitie Limited
S C Kirkpatrick	Mitie Limited	Mitie Limited
L Sheridan	Mitie Facilities Management Limited	Mitie Facilities Management Limited



## Notes (continued)

### 7 Finance income

	2020 £	2019 £
Interest income	1,743	2,514
Total	<u>1,743</u>	<u>2,514</u>

### 8 Finance costs

	2020 £	2019 £
Interest on lease liabilities <sup>1</sup>	1,404	-
Total	<u>1,404</u>	<u>-</u>

Note:

1. The Company has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. See Note 1.

## Notes (continued)

### 9 Tax

	2020 £	2019 £
<i>Analysis of charge in the year</i>		
<i>UK corporation tax at 19% (2019: 19%)</i>		
Current tax on profit for the period	73,334	53,152
Adjustments in respect of prior periods	(9,596)	3,703
Total current tax	<u>63,738</u>	<u>56,855</u>
<i>Deferred tax (see Note 14)</i>		
Origination and reversal of temporary timing differences	1,540	(2,579)
Reduction in statutory tax rate on deferred tax balances	-	272
Restatement of opening deferred tax balances	(702)	-
Adjustments in respect of prior periods	(8,121)	9,637
Total deferred tax	<u>(7,283)</u>	<u>7,330</u>
Total charge for the year	<u><u>56,455</u></u>	<u><u>64,185</u></u>
	2020	2019
<i>Reconciliation of effective tax rate</i>	£	£
Profit before tax	387,608	250,842
Tax using the UK corporation tax rate of 19% (2019: 19%)	73,646	47,660
Reduction in statutory tax rate on deferred tax balances	-	272
Expenses not deductible for tax purposes	1,244	2,857
Adjustments in respect of employee share options	(16)	56
Adjustments in respect of prior periods <sup>1</sup>	(17,717)	13,340
Restatement of opening deferred tax balances	(702)	-
Total tax charge	<u><u>56,455</u></u>	<u><u>64,185</u></u>

Note:

1. The balance for the year ended 31 March 2019 has been re-presented to be consistent with current year disclosures.

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 £702 (2019: £nil) has been included in the tax charge. The UK deferred tax assets at 31 March 2020 reflect this change.

## Notes (continued)

### 10 Property, plant and equipment

Property, plant and equipment comprise owned and leased assets.

	2020 £
Owned property, plant and equipment	8,622
Right-of-use assets (see Note 17)	30,060
<b>At 31 March 2020</b>	<b>38,682</b>

	Plant and equipment £	Office equipment £	Vehicles £	Total £
<b>Cost</b>				
At 1 April 2019	119,855	16,845	24,539	161,239
<b>At 31 March 2020</b>	<b>119,855</b>	<b>16,845</b>	<b>24,539</b>	<b>161,239</b>
<b>Accumulated depreciation and impairment</b>				
At 1 April 2019	111,719	11,068	24,539	147,326
Depreciation charge for the year	3,485	1,806	-	5,291
<b>At 31 March 2020</b>	<b>115,204</b>	<b>12,874</b>	<b>24,539</b>	<b>152,617</b>
<b>Net book value</b>				
At 1 April 2019	8,136	5,777	-	13,913
<b>At 31 March 2020</b>	<b>4,651</b>	<b>3,971</b>	<b>-</b>	<b>8,622</b>

### 11 Inventories

	2020 £	2019 £
Finished goods	39,985	51,586
	<b>39,985</b>	<b>51,586</b>

## Notes (continued)

### 12 Trade and other receivables

	2020 £	2019 £
Trade receivables	478,797	474,494
Amounts owed by Group undertakings	150,300	201,696
Prepayments	8,642	12,232
Accrued income	267,623	203,019
Other receivables	10,770	4,995
	<hr/>	<hr/>
Total	916,132	896,436
	<hr/>	<hr/>

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

All debtors are due within one year. All trade debtors are due within the company's normal terms, which is no more than thirty days. Trade debtors and accrued income are shown net of impairment in respect of doubtful debts.

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

### 13 Trade and other payables

	2020 £	2019 <sup>1</sup> £
Trade payables	272,402	286,972
Amounts owed to Group undertakings	621,626	489,867
Other taxes and social security	193,330	167,457
Corporation tax	116,894	93,968
Accruals	408,565	353,575
	<hr/>	<hr/>
	1,612,817	1,391,839
	<hr/>	<hr/>

Note:  
 1. Trade and other payables as at 31 March 2019 have been re-presented to exclude deferred income which is now presented on a separate line within current liabilities.

The repayment terms of trade creditors vary between on demand and ninety days. Trade creditors are unsecured and interest free.

Corporation tax, PAYE and VAT are subject to the terms of the relevant legislation.

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

## Notes (continued)

### 14 Deferred tax

#### Recognised deferred tax assets and liabilities

Deferred tax is attributable to the following:

	2020 £	2019 £
Property, plant and equipment	4,686	(2,151)
Provisions	430	-
Share-based payments	16	-
	<u>5,132</u>	<u>(2,151)</u>
Deferred tax	<u>5,132</u>	<u>(2,151)</u>

#### Movement in deferred tax during the year

	1 April 2019 £	Recognised in income £	31 March 2020 £
Property, plant and equipment	(2,151)	6,837	4,686
Provisions	-	430	430
Share-based payments	-	16	16
	<u>(2,151)</u>	<u>7,283</u>	<u>5,132</u>

#### Movement in deferred tax during the prior year

	1 April 2018 £	Recognised in income £	31 March 2019 £
Property, plant and equipment	4,817	(6,968)	(2,151)
Provisions	307	(307)	-
Share-based payments	55	(55)	-
	<u>5,179</u>	<u>(7,330)</u>	<u>(2,151)</u>

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 deferred tax balances are now valued using the 19% corporation tax rate. The opening deferred tax balances, previously valued using the 17% rate, have therefore been restated by £702 in the current period, with all of this adjustment being recognised in income.

## Notes (continued)

### 15 Provisions

	<b>Dilapidations provisions £</b>
At 1 April 2019	-
Impact of change in accounting policy <sup>1</sup>	<u>10,636</u>
<b>At 31 March 2020</b>	<b><u>10,636</u></b>
Included in current liabilities	<b><u>10,636</u></b>

**Note:**

1. The Company has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. See Note 1.

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

## Notes (continued)

### 16 Equity

#### Share capital authorised and fully paid

	2020 Number	2019 Number	2020 £	2019 £
<b>Ordinary shares</b>				
Ordinary shares at £1 each	10	10	10	10
	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</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.

#### Retained earnings

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

#### Dividends

Total dividends of £900,000 were paid during the year, at £90,000 per Ordinary share (2019: £nil).

### 17 Leases

The Company has adopted IFRS 16 starting 1 April 2019 using the modified retrospective transition option. Under this option, the comparative information is not restated. The details of adjustments made on transition and the related accounting policy is contained in Note 1.

	Properties £
<b>Right-of-use assets</b>	
At 1 April 2019	50,101
Depreciation	(20,041)
<b>At 31 March 2020</b>	<b>30,060</b>

	£
<b>Lease liabilities</b>	
At 1 April 2019	39,465
Interest expense related to lease liabilities	1,404
Repayment of lease liabilities (including interest)	(16,404)
<b>At 31 March 2020</b>	<b>24,465</b>

	2020 £
<b>Maturity analysis-contractual undiscounted cash flows</b>	
Less than one year	16,404
One to five years	8,202
Over five years	-
<b>Total undiscounted lease liabilities at 31 March 2020</b>	<b>24,606</b>
<b>Lease liabilities in the balance sheet at 31 March 2020</b>	<b>24,465</b>
Current	16,298
Non-current	8,167

	2020 £
<b>Amounts recognised in the income statement</b>	
Depreciation of right-of-use assets	(20,041)
<b>Operating profit impact</b>	<b>(20,041)</b>
Interest on lease liabilities	(1,404)
<b>Profit before tax impact</b>	<b>(21,445)</b>

## **Notes** *(continued)*

### **18 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.

### **19 Subsequent events**

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

### **20 Ultimate parent company and parent company of larger group**

The Company is a subsidiary undertaking of Mitie Facilities Management Limited which is the immediate parent company incorporated in Ireland. 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, UK, SE1 9SG or from [www.mitie.com](http://www.mitie.com).