

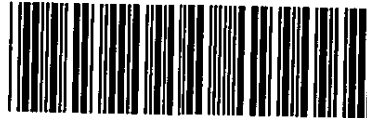
Registration number: SC208636

# Morrison Scotland (Services) Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2012

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**Morrison Scotland (Services) Limited**  
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**Morrison Scotland (Services) Limited**  
**Company Information**

|                          |  |
|--------------------------|--|
| <b>Directors</b>         | G Wakeley<br>William Docherty  |
| <b>Company secretary</b> | G Shephard   |
| <b>Registered office</b> | Morrison House<br>Ellismuir Way<br>Tannochside Business Park<br>Uddingston<br>Glasgow<br>G71 5QA   |
| <b>Bankers</b>           | Barclays Bank plc<br>1 Market Hill<br>Huntingdon<br>Cambridgeshire<br>PE18 6AE   |
| <b>Auditors</b>          | PricewaterhouseCoopers LLP<br>Chartered Accountants and Statutory Auditors<br>Cornwall Court<br>19 Cornwall Street<br>Birmingham<br>B3 2DT |

**Morrison Scotland (Services) Limited**  
**Directors' Report for the Year Ended 31 March 2012**

The directors present their report and the financial statements for the year ended 31 March 2012.

**Directors of the company**

The following persons were directors of the company during the year:

G Wakeley

J Boyd (resigned 20 February 2012)

William Docherty (appointed 20 February 2012)

In accordance with the company's Articles of Association, none of the directors are required to retire by rotation.

**Principal activity**

The principal activity of Morrison Scotland (Services) Limited ("the company") is the supply of staff to Morrison Scotland LLP.

In 2010 North Lanarkshire Council (NLC) announced the re-tender of the company's primary contract, supplying repairs and maintenance services. This contract was successfully won by Morrison Scotland LLP, however, the company now supplies staff to Morrison Scotland LLP under a cost plus agreement.

**Business review**

The results for the company show a pre-tax profit of £2,388,000 (2011: profit of £2,275,000) for the financial year and sales of £21,892,000 (2011: £35,147,000). The decrease in sales of 38% reflects the change in principal activity as explained above.

***Principal risks and uncertainties***

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the company are considered to relate to commercial relationships and pensions. While we remain confident in the strength of the relationships with Morrison Scotland LLP and other commercial stakeholders, it is important to the future direction and operation of the company that these strong commercial relationships are maintained. We monitor the pension position with the assistance of actuaries. Further discussion of these risks and uncertainties, in the context of the Morrison group (the "group") as a whole, which includes Morrison Scotland (Services) Limited, is provided in Morrison Facilities Services Limited's annual report which does not form part of this report.

**Going concern**

At 31 March 2012 the company had an excess of current liabilities over current assets of £5,581,000 (2011: £6,479,000). The directors are satisfied that they will be able to obtain additional funding from its parent company or other group companies, if necessary, in order to enable the company to pay its creditors as and when they fall due.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Morrison Facilities Services Limited, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Accordingly, the directors have prepared the financial statements on a going concern basis.

**Morrison Scotland (Services) Limited**  
**Directors' Report for the Year Ended 31 March 2012**

..... *continued*

**Key performance indicators**

The directors of Morrison Facilities Services Limited and Morrison plc manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Morrison Scotland (Services) Limited. The development, performance and position of the Morrison Facilities Services Limited Group of Morrison plc, which includes the company, is discussed within the Operating and Financial Review section of the annual report of Morrison Plc, an intermediate parent company.

**Financial risk management**

The directors have not disclosed the company's financial risk management objectives and policies nor the company's exposure to price risk, credit risk, liquidity risk and cash flow risk as such information is not material for the assessment of the company's assets, liabilities, financial position, and trading results for the financial year. Details of the financial risks of the Morrison group and the management of these risks are included within the financial statements of Morrison Facilities Services Limited.

**Employees**

Employees are kept informed on matters affecting them and made aware of the general financial and economic factors influencing the company.

The company operates a systematic approach to employee communication through regular briefings, presentations, electronic mailings and the wide circulation of the company magazine.

The company is an equal opportunities employer and applications from disabled persons are fully and fairly considered, having regard to the aptitudes and abilities of the applicant. In the event of disability, every effort is made to ensure that employment continues and appropriate training is given. Career development and promotion of disabled people is, as far as possible, identical to that of other employees.

**Directors' qualifying third party indemnity provisions**

The Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

## **Morrison Scotland (Services) Limited**

### **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

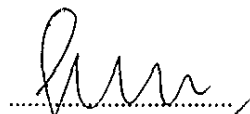
#### **Statement of disclosure of information to auditors**

Each person who is a director at the date of approval of this 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 steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

#### **Independent auditors**

Elective resolutions to dispense with the holding of annual general meetings, the laying of accounts before the company in general meeting and the appointment of auditors annually are currently in force. The auditors, PricewaterhouseCoopers LLP, will therefore be deemed to have been reappointed at the end of the period of 28 days beginning on the day on which copies of this report and accounts are sent to members in accordance with Companies Act 2006.

On behalf of the board as of 17 July 2012



.....  
Guy Wakeley  
Director  
Morrison Scotland (Services) Limited

Registered Office  
Morrison House  
Ellismuir Way, Tannochside Park  
Uddingston  
Glasgow  
G71 5QA  
Registered in Scotland (number SC208636)

## **Independent Auditors' Report to the Members of Morrison Scotland (Services) Limited**

We have audited the financial statements of Morrison Scotland (Services) Limited for the year ended 31 March 2012, which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 2012 and of its profit and cash flows 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent Auditors' Report to the Members of  
Morrison Scotland (Services) Limited**

..... *continued*

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

We have nothing to report in respect of the following matters where 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.

*David Martin*

David Martin (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP,  
Chartered Accountants and Statutory Auditors

Birmingham  
B3 2DT

Date: *27 July 2012*

**Morrison Scotland (Services) Limited**  
**Profit and Loss Account for the Year Ended 31 March 2012**

|   | Note | 2012<br>£ 000   | 2011<br>£ 000   |
|---|------|-----------------|-----------------|
| Turnover                                      | 2    | 21,892          | 35,147          |
| Cost of sales                                 |      | <u>(20,154)</u> | <u>(32,036)</u> |
| Gross profit                                  |      | 1,738           | 3,111           |
| Administrative expenses                       |      | <u>-</u>        | <u>(986)</u>    |
| Operating profit                              | 3    | 1,738           | 2,125           |
| Other interest receivable and similar income  | 6    | 681             | 150             |
| Interest payable                              |      | <u>(31)</u>     | <u>-</u>        |
| Profit on ordinary activities before taxation |      | 2,388           | 2,275           |
| Tax on profit or loss on ordinary activities  | 7    | <u>119</u>      | <u>(421)</u>    |
| Profit for the financial year                 |      | <u>2,507</u>    | <u>1,854</u>    |

There was no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above, and their historical cost equivalents.

All results relate to continuing operations.

**Morrison Scotland (Services) Limited**

**Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2012**

|  | Note | 2012<br>£ 000  | 2011<br>£ 000 |
|--|------|----------------|---------------|
| Profit for the financial year  |      | 2,507          | 1,854         |
| Actuarial (loss)/gain recognised on defined benefit pension scheme               | 14   | (5,280)        | 4,230         |
| Deferred tax on actuarial gain/loss recognised on defined benefit pension scheme |      | 1,006          | (1,100)       |
| Current tax in respect of actuarial loss   |      | 619            | -             |
| Total recognised gains and losses relating to the year                           |      | <u>(1,148)</u> | <u>4,984</u>  |

The notes on pages 11 to 25 form an integral part of these financial statements.

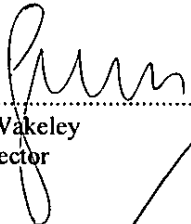
**Morrison Scotland (Services) Limited**

**(Registration number: SC208636)**

**Balance Sheet at 31 March 2012**

|   | Note | 2012<br>£ 000   | 2011<br>£ 000   |
|---|------|-----------------|-----------------|
| <b>Current assets</b>                             |      |                 |                 |
| Debtors   | 9    | 6,044           | 5,279           |
| Cash at bank and in hand                          |      | <u>6</u>        | <u>1,718</u>    |
|   |      | 6,050           | 6,997           |
| Creditors: Amounts falling due within one year    | 10   | <u>(11,631)</u> | <u>(13,476)</u> |
| Net liabilities excluding pension asset/liability |      | (5,581)         | (6,479)         |
| Net pension asset                                 | 14   | <u>3,785</u>    | <u>5,831</u>    |
| Net liabilities                                   |      | <u>(1,796)</u>  | <u>(648)</u>    |
| <b>Capital and reserves</b>                       |      |                 |                 |
| Called up share capital                           | 11   | 1               | 1               |
| Profit and loss account                           | 13   | <u>(1,797)</u>  | <u>(649)</u>    |
|   |      | <u>(1,796)</u>  | <u>(648)</u>    |

The financial statements on pages 7 to 25 were approved by the Board on 27 Jul 2012 and signed on its behalf by:

  
.....  
G Wakeley  
Director

The notes on pages 11 to 25 form an integral part of these financial statements.

**Morrison Scotland (Services) Limited**  
**Cash Flow Statement for the Year Ended 31 March 2012**

|  | Note | 2012<br>£ 000  | 2011<br>£ 000  |
|--|------|----------------|----------------|
| <b>Reconciliation of operating profit to net cash flow from operating activities</b> |      |                |                |
| Operating profit   |      | 1,738          | 2,125          |
| Depreciation, amortisation and impairment charges                                    |      | -              | 35             |
| Decrease in stocks   |      | -              | 271            |
| Decrease/(increase) in debtors   |      | 124            | (3,995)        |
| (Decrease)/increase in creditors   |      | (1,842)        | 1,351          |
| Difference between defined benefit pension charge and cash contributions             |      | (1,701)        | (1,510)        |
| Net cash outflow from operating activities   |      | <u>(1,681)</u> | <u>(1,723)</u> |
| <b>Returns on investments and servicing of finance</b>                               |      |                |                |
| Interest received  |      | 1              | 10             |
| Interest paid  |      | (31)           | -              |
|  |      | (30)           | 10             |
| Tax (paid)/received  |      | (1)            | 135            |
| Net cash outflow before financing  |      | <u>(1,712)</u> | <u>(1,578)</u> |
| Decrease in cash   |      | <u>(1,712)</u> | <u>(1,578)</u> |
| <b>Reconciliation of net cash flow to movement in net debt</b>                       |      |                |                |
|  | Note | 2012<br>£ 000  | 2011<br>£ 000  |
| Decrease in cash   |      | <u>(1,712)</u> | <u>(1,578)</u> |
| Movement in net debt   |      | (1,712)        | (1,578)        |
| Net funds at 1 April 2011  |      | <u>1,718</u>   | <u>3,296</u>   |
| Net funds at 31 March 2012   |      | <u>6</u>       | <u>1,718</u>   |

The notes on pages 11 to 25 form an integral part of these financial statements.

## **Morrison Scotland (Services) Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2012**

#### **1 Accounting policies**

##### **Basis of preparation**

The financial statements are prepared under the historical cost convention on a going concern basis and in accordance with applicable accounting standards in the United Kingdom and in accordance with the Companies Act 2006.

##### **Going concern**

As disclosed in the Directors' Report on page 2, the financial statements have been prepared on a going concern basis.

##### **Turnover**

Turnover represents the income received and receivable (excluding value added tax) in the ordinary course of business for goods and services provided. Revenue is recognised on contracts when the service is provided.

##### **Tangible fixed assets and depreciation**

Fixed assets are included at historic purchase cost less accumulated depreciation. Depreciation of assets is calculated at rates expected to write off cost less the estimated residual value of the relevant assets over their estimated economic lives, which are principally as follows:

Leasehold improvements - Over the terms of the lease

Plant and machinery - 3 - 10 years

Interest cost are not capitalised into the cost of fixed assets.

##### **Pension costs**

The difference between the fair value of the assets held in the company's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the company's balance sheet as a pension scheme asset or liability as appropriate. The pension scheme balance is recognised net of any related deferred tax balance.

The cost of benefits accruing during the year in respect of current and past service is charged against operating profit. The expected return on the schemes assets and the increase in the present value of the schemes liabilities arising from the passage of time are included in other interest receivable and similar income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Actuarial surpluses and deficits are calculated in accordance with the advice of independent qualified actuaries.

The cost of defined contribution schemes is charged to the profit and loss account in the year in respect of which the contributions become payable.

## Morrison Scotland (Services) Limited

### Notes to the Financial Statements for the Year Ended 31 March 2012

..... *continued*

#### Deferred tax

Deferred taxation is provided on timing differences, arising from the different treatment for accounts and taxation purposes of events and transactions recognised in the financial statements of the current and previous years. Deferred taxation is calculated at the rates at which it is estimated that taxation will arise.

Deferred taxation is not provided in respect of timing differences arising from the sale or revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into, and it is unlikely that any gain will be rolled over.

Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that there will be suitable taxable profits against which the deferred tax asset can be recovered in future periods.

Deferred taxation is not discounted.

#### 2 Turnover

All turnover is derived from a single class of business within the United Kingdom.

#### 3 Operating profit

Operating profit is stated after charging:

|                              | 2012<br>£ 000 | 2011<br>£ 000 |
|------------------------------|---------------|---------------|
| Depreciation of owned assets | -             | 35            |

The audit fees for the year were £18,000 (£21,000), the cost was borne by a fellow Group company. Auditors provided no non-audit services in 2012 (2011: £nil)

#### 4 Particulars of employees

The average number of persons employed by the company (including directors) during the year, was as follows:

| 2012<br>No. | 2011<br>No. |
|-------------|-------------|
| 530         | 550         |

**Morrison Scotland (Services) Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2012**

..... *continued*

The aggregate payroll costs were as follows:

|                       | <b>2012</b>   | <b>2011</b>   |
|-----------------------|---------------|---------------|
|                       | <b>£ 000</b>  | <b>£ 000</b>  |
| Wages and salaries    | 16,612        | 15,974        |
| Social security costs | 1,455         | 1,479         |
| Staff pensions        | 2,314         | 2,660         |
|                       | <u>20,381</u> | <u>20,113</u> |

**5 Directors' remuneration**

The directors' remuneration for the year was as follows:

|   | <b>2012</b>  | <b>2011</b>  |
|---|--------------|--------------|
|   | <b>£ 000</b> | <b>£ 000</b> |
| Remuneration (including benefits in kind) | <u>109</u>   | <u>23</u>    |

In respect of the highest paid director:

|              | <b>2012</b>  | <b>2011</b>  |
|--------------|--------------|--------------|
|              | <b>£ 000</b> | <b>£ 000</b> |
| Remuneration | <u>109</u>   | <u>23</u>    |

During the year one (2011: two) director was employed and remunerated as a director or executive of other group companies in respect of services to the Morrison group as a whole. The emoluments are therefore disclosed in the financial statements of Morrison Facilities Services Limited.

During the year one (2011: one) director was employed and remunerated as a director or executive.

Retirement benefits were not accruing to any directors (2011: nil) under a defined benefit scheme.

**6 Other interest receivable and similar income**

|                               | <b>2012</b>  | <b>2011</b>  |
|-------------------------------|--------------|--------------|
|                               | <b>£ 000</b> | <b>£ 000</b> |
| Interest receivable           | 1            | 10           |
| Pension scheme finance income | <u>680</u>   | <u>140</u>   |
|                               | <u>681</u>   | <u>150</u>   |

# Morrison Scotland (Services) Limited

## Notes to the Financial Statements for the Year Ended 31 March 2012

..... continued

### 7 Taxation

#### Tax on profit on ordinary activities

|  | 2012<br>£ 000 | 2011<br>£ 000 |
|--|---------------|---------------|
| <b>Current tax</b>                                 |               |               |
| Corporation tax charge                             | 617           | 3             |
| Adjustments in respect of previous years           | (372)         | -             |
| UK Corporation tax                                 | 245           | 3             |
| <b>Deferred tax</b>                                |               |               |
| Origination and reversal of timing differences     | 4             | 489           |
| Deferred tax adjustment relating to previous years | (567)         | -             |
| Effect of changes in tax rates                     | 199           | (71)          |
| Total deferred tax                                 | (364)         | 418           |
| Total tax on profit on ordinary activities         | (119)         | 421           |

#### Factors affecting current tax charge for the year

The tax assessed for the year is lower (2011: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2012 of 26% (2011: 28 %). The differences are explained below:

|   | 2012<br>£ 000 | 2011<br>£ 000 |
|---|---------------|---------------|
| Profit on ordinary activities before taxation             | 2,388         | 2,275         |
| Corporation tax at standard rate of 26% (2011: 28%)       | 621           | 637           |
| Capital allowances for the year in excess of depreciation | (5)           | (1)           |
| Short term timing differences                             | -             | (488)         |
| Items not deductible for tax purposes                     | -             | 2             |
| Accounting depreciation not eligible for tax purposes     | -             | 2             |
| Adjustment in respect of prior periods                    | (372)         | -             |
| Utilisation of losses not previously recognised           | 1             | (149)         |
| Total current tax   | 245           | 3             |

#### Factors that may affect future tax charges

During the year, as a result of the change in the UK corporation tax rate from 26% to 24% that is effective from 1 April 2012, all relevant deferred tax balances have been re-measured. Further changes to the UK corporation tax rate have been announced which propose to reduce the rate by 1% per annum to 22% by 1 April 2014. The changes, which are expected to be enacted separately each year, had not been substantially enacted at the balance sheet date and therefore have not been recognised in these financial statements.

**Morrison Scotland (Services) Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2012**

*..... continued*

**8 Tangible fixed assets**

|                                   | <b>Leasehold<br/>Improvement<br/>£ 000</b> | <b>Plant and<br/>machinery<br/>£ 000</b> | <b>Total<br/>£'000</b> |
|-----------------------------------|--|--|------------------------|
| <b>Cost</b>                       |  |  |                        |
| At 1 April 2011 and 31 March 2012 | 403  | 580                                      | 983                    |
| <b>Depreciation</b>               |  |  |                        |
| At 1 April 2011 and 31 March 2012 | <u>403</u>                                 | <u>580</u>                               | <u>983</u>             |
| <b>Net book amount</b>            |  |  |                        |
| At 31 March 2012                  | <u>-</u>                                   | <u>-</u>                                 | <u>-</u>               |
| At 31 March 2011                  | <u>-</u>                                   | <u>-</u>                                 | <u>-</u>               |

**Morrison Scotland (Services) Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2012**

..... *continued*

**9 Debtors**

|  | <b>2012<br/>£ 000</b> | <b>2011<br/>£ 000</b> |
|--|-----------------------|-----------------------|
| Trade debtors                              | 46                    | 770                   |
| Amounts owed by group undertakings         | 5,030                 | 4,016                 |
| Amounts recoverable on long term contracts | -                     | 432                   |
| Other debtors                              | 45                    | -                     |
| Deferred tax                               | 551                   | 34                    |
| Prepayments and accrued income             | -                     | 27                    |
| Corporation tax                            | 372                   | -                     |
|  | <u>6,044</u>          | <u>5,279</u>          |

**Deferred tax**

The movement in the deferred tax asset in the year is as follows:

|  | <b>£ 000</b> |
|--|--------------|
| At 1 April 2011                                      | 34           |
| Deferred tax credited to the profit and loss account | 532          |
| Deferred tax utilised during the year                | <u>(15)</u>  |
| At 31 March 2012                                     | <u>551</u>   |

**Analysis of deferred tax**

|   | <b>2012<br/>£ 000</b> | <b>2011<br/>£ 000</b> |
|---|-----------------------|-----------------------|
| Difference between accumulated depreciation and amortisation and capital allowances | 19                    | 34                    |
| Other timing differences  | -                     | -                     |
| Losses carried forward  | 532                   | -                     |
|   | <u>551</u>            | <u>34</u>             |

# Morrison Scotland (Services) Limited

## Notes to the Financial Statements for the Year Ended 31 March 2012

..... continued

During the year £551,000 of deferred tax asset has been recognised given they will be utilised against future taxable profits as the company now operates under a cost plus arrangement.

There are deferred tax assets of £nil (2011: £575,000) relating to tax losses carried forward which have not been recognised within these financial statements as there is uncertainty as to the timing of their recovery.

### Deferred tax liability relating to pension asset:

|  | 2012<br>£'000  | 2011<br>£'000  |
|--|----------------|----------------|
| At 1 April   | (2,049)        | (560)          |
| Charged to profit or loss                            | (152)          | (389)          |
| Charged to statement of recognised gains and losses: |                |                |
| - on actuarial loss                                  | 755            | (1,184)        |
| - on change in deferred tax rate                     | 251            | 84             |
| <b>At 31 March</b>                                   | <b>(1,195)</b> | <b>(2,049)</b> |

### 10 Creditors: Amounts falling due within one year

|                                    | 2012<br>£ 000 | 2011<br>£ 000 |
|------------------------------------|---------------|---------------|
| Trade creditors                    | 589           | 309           |
| Amounts owed to group undertakings | 11,042        | 4,845         |
| Corporation tax                    | -             | 3             |
| Other taxes and social security    | -             | 636           |
| Other creditors                    | -             | 4,893         |
| Accruals and deferred income       | -             | 2,790         |
|                                    | <b>11,631</b> | <b>13,476</b> |

### 11 Share capital

#### Allotted, called up and fully paid shares

|                                | 2012         |              | 2011         |              |
|--------------------------------|--------------|--------------|--------------|--------------|
|                                | No.          | £            | No.          | £            |
| 'A' ordinary shares of £1 each | 667          | 667          | 667          | 667          |
| 'B' ordinary shares of £1 each | 333          | 333          | 333          | 333          |
|                                | <b>1,000</b> | <b>1,000</b> | <b>1,000</b> | <b>1,000</b> |

# Morrison Scotland (Services) Limited

## Notes to the Financial Statements for the Year Ended 31 March 2012

..... *continued*

The 'A' shares carry voting rights and the right to appoint the directors of the Company. The 'B' shares do not carry voting rights. The 'A' and 'B' shares rank equally for the payment of dividends and the distribution of assets on the winding up of the Company.

### 12 Reconciliation of movement in shareholders' funds

|  | 2012<br>£ 000 | 2011<br>£ 000 |
|--|---------------|---------------|
| Profit for the year                                    | 2,507         | 1,854         |
| Other recognised gains and losses relating to the year | (3,655)       | 3,130         |
| Net (reduction)/addition to shareholders' funds        | (1,148)       | 4,984         |
| Shareholders' deficit at 1 April 2011                  | (648)         | (5,632)       |
| Shareholders' deficit at 31 March 2012                 | (1,796)       | (648)         |

### 13 Reserves

|   | Profit and<br>loss account<br>£ 000 | Total<br>£ 000 |
|---|-------------------------------------|----------------|
| At 1 April 2011   | (649)                               | (649)          |
| Profit for the year   | 2,507                               | 2,507          |
| Actuarial loss on pension schemes                               | (5,280)                             | (5,280)        |
| Deferred tax relating to actuarial gain/loss on pension schemes | 1,006                               | 1,006          |
| Current tax in respect of actuarial loss                        | 619                                 | 619            |
| At 31 March 2012  | (1,797)                             | (1,797)        |

## **Morrison Scotland (Services) Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2012**

*..... continued*

#### **14 Pension schemes**

##### **Morrison Facilities Pension Scheme**

The company is a member of the Anglian Water Group ("The group"). The group's actuaries are PricewaterhouseCoopers LLP.

The majority of the company's employees receive defined benefit pensions, through the Morrison Facilities Pension Scheme ("MFPS"). The assets of MFPS are held in a separately administered fund.

The company contributed 21.4% of pensionable salaries (2011: 20.3%) plus £117,000 per month payable until April 2012.

The group has entered into a number of guarantee arrangements for defined benefit pension schemes in the normal course of business. Whilst defined benefit pension scheme liabilities are recognised in full in accordance with FRS17 on the balance sheet, short term volatility and changes in valuation assumptions may cause the value of the liabilities to be materially different at the point at which they crystallise.

The administration and investment of the pension funds are maintained separately from the finances of the company and the group. Pension costs are assessed in accordance with the advice of independent professionally qualified actuaries. The company accounts for its pension costs in accordance with FRS17 – Retirement benefits.

The valuation used for the FRS17 disclosures for MFPS has been based on the formal actuarial valuation as at 1 April 2009, updated by independent actuaries to take account the requirements of FRS17 in order to assess the liabilities of the scheme at 31 March 2012.

##### **Cash contributions**

The company contributions to the funded defined benefit scheme for the year ended 31 March 2012 were £2,406,000 (2011: £2,586,000). In addition contributions to MFPS that were made by other Group companies of £1,584,000 (2011: £1,584,000), were re-charged to the company. In total cash contributions were £3,990,000 (2011: £4,170,000).

The assumptions used by the actuary are, in the opinion of the directors, the best estimates chosen from a range of possible actuarial assumptions about the future which may not necessarily be borne out in practice.

In addition the company has made contributions of £24,000 to defined contribution schemes. There were no contributions outstanding at year end.

**Morrison Scotland (Services) Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2012**

..... *continued*

***Reconciliation of scheme assets and liabilities to assets and liabilities recognised***

The amounts recognised in the balance sheet are as follows:

|  | <b>2012</b>         | <b>2011</b>         |
|--|---------------------|---------------------|
|  | <b>£ 000</b>        | <b>£ 000</b>        |
| Fair value of scheme assets            | 77,970              | 67,500              |
| Present value of scheme liabilities    | <u>(72,990)</u>     | <u>(59,620)</u>     |
| Defined benefit pension scheme surplus | 4,980               | 7,880               |
| Related deferred tax liability         | <u>(1,195)</u>      | <u>(2,049)</u>      |
| Net asset in the balance sheet         | <u><u>3,785</u></u> | <u><u>5,831</u></u> |

***Scheme assets***

Changes in the fair value of scheme assets are as follows:

|                                      | <b>2012</b>          | <b>2011</b>          |
|--------------------------------------|----------------------|----------------------|
|                                      | <b>£ 000</b>         | <b>£ 000</b>         |
| Fair value at start of year          | 67,500               | 58,240               |
| Expected return on assets            | 3,970                | 3,270                |
| Actuarial gains and losses           | 4,590                | 2,970                |
| Employer contributions               | 3,990                | 4,170                |
| Contributions by scheme participants | 550                  | 590                  |
| Benefits paid                        | <u>(2,630)</u>       | <u>(1,740)</u>       |
| Fair value at end of year            | <u><u>77,970</u></u> | <u><u>67,500</u></u> |

***Analysis of assets***

The major categories of scheme assets are as follows:

|                         | <b>2012</b>          | <b>2011</b>          |
|-------------------------|----------------------|----------------------|
|                         | <b>£ 000</b>         | <b>£ 000</b>         |
| Equity instruments      | 12,090               | 23,900               |
| Debt instruments        | 44,120               | 27,230               |
| Property                | 1,260                | 1,430                |
| Alternative investments | <u>20,500</u>        | <u>14,940</u>        |
|                         | <u><u>77,970</u></u> | <u><u>67,500</u></u> |

# Morrison Scotland (Services) Limited

## Notes to the Financial Statements for the Year Ended 31 March 2012

..... *continued*

### *Actual return on scheme's assets*

|                                | 2012<br>£ 000 | 2011<br>£ 000 |
|--------------------------------|---------------|---------------|
| Actual return on scheme assets | 8,560         | 6,240         |

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

The overall expected return on assets is calculated as the weighted average of expected returns on each individual asset class net of investment expenses. The expected return on equities is determined as gilt yields plus a 3% risk premium. The return on bonds is determined by the market yield on long term bonds with an adjustment for defaults. The expected return on property is determined as gilt yields plus a 2% risk premium. The expected return on other assets is set by reference to base rates.

### *Scheme liabilities*

Changes in the present value of scheme liabilities are as follows:

|                                      | 2012<br>£ 000 | 2011<br>£ 000 |
|--------------------------------------|---------------|---------------|
| Present value at start of year       | 59,620        | 54,760        |
| Current service cost                 | 2,490         | 2,660         |
| Past service cost                    | (200)         | -             |
| Actuarial gains and losses           | 9,870         | 220           |
| Interest cost                        | 3,290         | 3,130         |
| Benefits paid                        | (2,630)       | (1,740)       |
| Contributions by scheme participants | 550           | 590           |
| Present value at end of year         | 72,990        | 59,620        |

**Morrison Scotland (Services) Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2012**

*..... continued*

***Principal actuarial assumptions***

The principal actuarial assumptions at the balance sheet date are as follows:

|                         | <b>2012</b> | <b>2011</b> |
|-------------------------|-------------|-------------|
|                         | <b>%</b>    | <b>%</b>    |
| Discount rate           | 4.80        | 5.50        |
| Future salary increases | 4.30        | 4.40        |
| Inflation               | <u>3.30</u> | <u>3.40</u> |

***Post retirement mortality assumptions***

|   | <b>2012</b>  | <b>2011</b>  |
|---|--------------|--------------|
|   | <b>Years</b> | <b>Years</b> |
| Current pensioners at retirement age - male   | 20.60        | 20.30        |
| Current pensioners at retirement age - female | 22.80        | 22.50        |
| Future pensioners at retirement age - male    | 22.00        | 21.70        |
| Future pensioners at retirement age - female  | <u>24.30</u> | <u>24.10</u> |

***Amounts recognised in the profit and loss account***

|   | <b>2012</b>    | <b>2011</b>    |
|---|----------------|----------------|
|   | <b>£ 000</b>   | <b>£ 000</b>   |
| <b>Amounts recognised in operating profit</b>     |                |                |
| Current service cost                              | (2,490)        | (2,660)        |
| Past service cost                                 | <u>200</u>     | <u>-</u>       |
| Recognised in arriving at operating profit        | <u>(2,290)</u> | <u>(2,660)</u> |
| <b>Amounts recognised in other finance income</b> |                |                |
| Interest income                                   | (3,290)        | (3,130)        |
| Expected return on scheme assets                  | <u>3,970</u>   | <u>3,270</u>   |
| Recognised in other finance cost                  | <u>680</u>     | <u>140</u>     |
| Total recognised in the profit and loss account   | <u>(1,610)</u> | <u>(2,520)</u> |

**Morrison Scotland (Services) Limited**

**Notes to the Financial Statements for the Year Ended 31 March 2012**

*..... continued*

*Amounts recognised in the statement of total recognised gains and losses*

|   | <b>2012</b><br><b>£ 000</b> | <b>2011</b><br><b>£ 000</b> |
|---|-----------------------------|-----------------------------|
| Actual return less expected return on scheme assets   | 4,590                       | 2,970                       |
| Changes in assumptions  | (9,870)                     | (220)                       |
| Other actuarial gains / (losses)  | -                           | 1,480                       |
| Actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses | <u>(5,280)</u>              | <u>4,230</u>                |

# Morrison Scotland (Services) Limited

## Notes to the Financial Statements for the Year Ended 31 March 2012

..... continued

The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses since 1 January 2002 is (£5,600,000) (2011 - (£320,000)).

### History of experience adjustments on scheme assets and liabilities

Amounts for the current and previous 5 periods are as follows

|                                     | 2012<br>£ 000 | 2011<br>£ 000 | 2010<br>£ 000 | 2009<br>£ 000 | 2008<br>£ 000 |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Fair value of scheme assets         | 77,970        | 67,500        | 58,240        | 43,110        | 43,870        |
| Present value of scheme liabilities | (72,990)      | (59,620)      | (54,760)      | (36,210)      | (36,730)      |
| Amount not recognised               | -             | -             | (1480)        | (2,100)       | (590)         |
| <b>Surplus / (deficit)</b>          | <b>4,980</b>  | <b>7,880</b>  | <b>2,000</b>  | <b>4,800</b>  | <b>6,550</b>  |

### History of scheme

|  |                |              |                |                |              |
|--|----------------|--------------|----------------|----------------|--------------|
| Actual return on pension scheme assets less expected return                    | 4,590          | 2,970        | 9,450          | (7,020)        | 1,950        |
| Experience gains and losses arising on scheme liabilities                      | -              | -            | (1,200)        | 850            | 1,130        |
| Changes in assumptions underlying the present value of the scheme liabilities  | (9,870)        | (220)        | (13,420)       | 3,810          | 5,260        |
| Movement in unrecognised asset   | -              | 1,480        | 620            | (1,471)        | (590)        |
| Past service cost offset against surplus not recognised                        | -              | -            | -              | -              | (210)        |
| <b>Amount recognised in the statement of total recognised gains and losses</b> | <b>(5,280)</b> | <b>4,230</b> | <b>(4,550)</b> | <b>(3,831)</b> | <b>7,540</b> |

### 15 Related party transactions

During the year, the company's turnover relating to the provision of staff to Morrison Scotland LLP, a fellow subsidiary of Morrison Facilities Services Limited, was £21,892,000 (2011: £1,944,000). At year end the company held loans and trade balances with companies within the Morrison Facilities Services group of £11,042,000 (2011: £4,845,000). The company incurred no management charge from the immediate parent Morrison Facilities Services Limited (2011: £951,000), and there was no management charge outstanding at 31 March 2012 (2011: £ nil).

## **Morrison Scotland (Services) Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2012**

*..... continued*

#### **16 Control**

The immediate parent company is Morrison Facilities Services Limited, a company registered in Scotland and is the parent company of the smallest group to consolidate the financial statements of the company. Copies of the financial statements can be obtained from Morrison plc, 1 Triton Square, London, NW1 3DX.

Anglian Water Group Ltd is the parent company of the largest group to consolidate the financial statements of the company, copies of which can be obtained from the Company Secretary, Anglian House, Ambury Road, Huntingdon, Cambridgeshire PE29 3NZ.

The directors consider Anglian Water Group Limited, a company registered in Jersey, to be the ultimate parent company and controlling party. Anglian Water Group Limited is itself owned by a consortium of investors consisting of the Canada Pension Plan Investment Board, Colonial First State Global Asset Management, Industry Funds Management, and 3i.