BIOTECTURE LIMITED

Annual report and financial statements

Registered number 06297364

For the seventeen month period ended 31 March 2023

Contents

Company information

Directors
P J G Dickinson
T W Howell
M R Peacock

Secretary
Mitie Company Secretarial Services Limited

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

Directors' report

The directors of the Company ("the Directors") present the annual report and unaudited financial statements of Biotecture Limited (the "Company") for the 17 month period ended 31 March 2023.

The Company is an indirect subsidiary of Mitie Group plc. Mitie Group plc, together with its subsidiaries, comprise the "Group". The Group acquired the Company on 31 January 2022.

The Company changed its accounting reference date from 31 October to 31 March. Consequently, the results for the period ended 31 March 2023 and the balance sheet at that date constitute an extended accounting period of 17 months. The previous accounting period was for the year ended 31 October 2021.

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 green infrastructure construction and maintenance services. There have not been any significant changes in the Company's principal activities in the period under review.

As shown in the income statement on page 5, the Company's revenue for the 17 month period ended 31 March 2023 was £5,541,000 (year ended 31 October 2021: £2,887,000) and the profit for the same period was £184,000 (year ended 31 October 2021: £179,000). During the 17 month period ended 31 March 2023, revenue increased by 35% (annualised) due to a strong sales pipeline and completion of a number of high margin projects in the period, specifically an overseas project. Profit for the period was impacted by one off costs following the acquisition of the Company by Mitie Landscapes Limited in January 2022.

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

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

	Date of appointment	Date of resignation
P J G Dickinson	31 January 2022	
T W Howell	31 January 2022	
M R Peacock	31 January 2022	
S T Blamire		31 January 2022
M A Fleming		31 January 2022
R K Hearsum		31 January 2022
R A Sabin		31 January 2022
J J Voller		31 January 2022

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

Dividends
There were no dividends during the period (year ended 31 October 2021: £nil).

Directors' report (continued)

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

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

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

Future developments
The Directors expect the general level of activity to increase in the forthcoming year as there is a significant pipeline of new work and positive bid activity despite the challenging planning environment.

Approved by the Board and signed on its behalf by:

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M. Peacock
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M R Peacock
Director

7th December 2023

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

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

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

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

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

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

Income statement

	Note	17 month period ended 31 March 2023 £000	Year ended 31 October 2021 £000
Revenue	*2*	**5,541**	2,887
Cost of sales		**(3,243)**	(1,600)
Gross profit		**2,298**	1,287
Administrative expenses		**(2,066)**	(1,152)
Other operating income	*3*	**-**	89
Operating profit	*3*	**232**	224
Finance income	*6*	**1**	-
Finance costs	*7*	**(4)**	(3)
Net finance costs		**(3)**	(3)
Profit before tax		**229**	221
Tax	*8*	**(45)**	(42)
Profit for the financial period/year		**184**	179

The notes on pages 9 to 25 form an integral part of the financial statements.

The results for the current period and prior year are wholly attributable to the continuing operations of the Company.

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

Balance sheet

	Note	31 March 2023 £000	Restated[1] 31 October 2021 £000
Non-current assets			
Intangible assets	*9*	**30**	45
Property, plant and equipment	*10*	**60**	202
Total non-current assets		**90**	247
Current assets			
Inventories	*11*	**188**	186
Trade and other receivables	*12*	**1,057**	970
Cash and cash equivalents		**559**	523
Total current assets		**1,804**	1,679
Current liabilities			
Trade and other payables	*13*	**(460)**	(486)
Deferred income		**(136)**	(186)
Current tax payable		**(64)**	-
Total current liabilities		**(660)**	(672)
Net current assets		**1,144**	1,007
Non-current liabilities			
Trade and other payables	*13*	**-**	(185)
Deferred tax liabilities	*16*	**(9)**	(28)
Total non-current liabilities		**(9)**	(213)
Net assets		**1,225**	1,041

Balance sheet (continued)

	Note	31 March 2023 £000	Restated[1] 31 October 2021 £000
Equity			
Share capital	*18*	**1**	1
Share premium	*18*	**355**	355
Capital redemption reserve	*18*	**-**	-
Retained earnings	*18*	**869**	685
Total equity		**1,225**	1,041

Note:
1.Balances as at 31 October 2021 have been re-presented to an alternative format. See Note 1c.

The notes on pages 9 to 25 form an integral part of the financial statements.

For the 17 month period ended 31 March 2023 the Company was entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies. The members have not required the Company to obtain an audit of its accounts for the 17 month period ended 31 March 2023 in accordance with Section 476 of the Companies Act 2006. The Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

The financial statements of Biotecture Limited, company number 06297364, were approved by the Board of Directors and authorised for issue on 7th December 2023 and were signed on its behalf by:

DocuSigned by:
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M R Peacock
Director

Statement of changes in equity

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
At 1 November 2020	1	355	-	506	862
Profit for the year	-	-	-	179	179
Total comprehensive income	-	-	-	179	179
At 31 October 2021	**1**	**355**	**-**	**685**	**1,041**
Profit for the period	**-**	**-**	**-**	**184**	**184**
Total comprehensive income	**-**	**-**	**-**	**184**	**184**
31 March 2023	**1**	**355**	**-**	**869**	**1,225**

The notes on pages 9 to 25 form an integral part of the financial statements.

Notes to the financial statements

1 Accounting policies, judgements and estimates

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

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

c) Basis of preparation
Going concern
The financial statements have been prepared on a going concern basis. The Company participates in the centralised treasury arrangements and shared banking arrangements of Mitie Group plc, its ultimate parent, and of its fellow subsidiaries (together the "Group"). The directors of Mitie Group plc have confirmed the provision of adequate financial resources to the Company for a period of not less than 12 months from the date of approval of the Company's statutory financial statements for the 17 month period ended 31 March 2023 to ensure that the Company can meet its liabilities as they fall due.

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

The Group's principal debt financing arrangements as at 30 September 2023 were a £250m Revolving Credit Facility ("RCF"), which was undrawn as at 30 September 2023, and £150m of US private placement ("USPP") notes. These financing arrangements are subject to certain financial covenants which are tested every six months on a rolling 12-month basis.

The RCF was put in place in October 2021, and matures in October 2027. In September 2023, the Group increased the RCF from £150m to £250m and its maturity date was extended for one year to October 2027, with an option to extend for a further one year period.

Of the USPP notes, £120.0m were issued in December 2022 under a delayed funding agreement to avoid any overlap with the £121.5m (being the repayment amount after taking account of the cross-currency interest rate swaps) of notes that matured in the same month. The new notes are split equally between 8, 10 and 12 year maturities, and were issued with an average coupon of 2.94% that is significantly below the coupon of the maturing notes. The Base Case Forecasts assume that the remaining £30.0m of USPP notes, which are due to mature in December 2024, will not be replaced.

The Group currently operates within the terms of its agreements with its lenders, with consolidated net cash (i.e. net cash adjusted for covenant purposes, primarily by the exclusion of lease liabilities) of £23.8m as at 30 September 2023. The Base Case Forecasts indicate that the Group will continue to operate within these terms and that the headroom provided by the Group's debt facilities currently in place is adequate to support the Group over the Going Concern Assessment Period.

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

Notes to the financial statements (continued)

1 Accounting policies, judgements and estimates (continued)

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

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

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

- all stress test scenarios would require a very severe deterioration compared to the Base Case Forecasts. Revenue is considered to be the key risk, as this is less within the control of management. Revenue would need to decline by approximately 40% by 30 September 2024 (half year FY25), compared to the Base Case Forecasts, which is considered to be very severe given the high proportion of the Group's revenue that is fixed in nature and the fact that even in a COVID-hit year ended 31 March 2021, the Group's revenue excluding Interserve declined by only 1.6%; and
- in the event that results started to trend significantly below those included in the Base Case Forecasts, additional mitigation actions have been identified that would be implemented, which are not factored into the stress test scenarios. These include the short-term scaling down of capital expenditure, overhead efficiency/reduction measures including cancellation of discretionary bonuses and reduced discretionary spend, asset disposals and reductions in cash distributions and share buybacks.

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

Based on this assessment, and their enquiries of the directors of Mitie Group plc, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of no less than 12 months from the date of approval of the Company's financial statements for the 17 month period ended 31 March 2023. Accordingly, the financial statements have been prepared on a going concern basis.

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

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

Notes to the financial statements (continued)

1 Accounting policies, judgements and estimates (continued)

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

Measurement convention
The financial statements are prepared on the historical cost basis.

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

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

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

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

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

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

Notes to the financial statements (continued)

1 Accounting policies, judgements and estimates (continued)

Government grants
Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Finance income
Finance 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.

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

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

Current or deferred taxation assets and liabilities are not discounted.

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

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

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

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

Intangible assets
Intangible assets acquired separately from a business are initially measured at cost and subsequently measured at cost, net of amortisation and any impairment losses.

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

Patents:	20 years
Licences:	10 years

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

Notes to the financial statements (continued)

1 Accounting policies, judgements and estimates (continued)

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

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

Building improvements:	10 years
Plant and vehicles:	3-4 years

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

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

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

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

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

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

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

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

Notes to the financial statements (continued)

1 Accounting policies, judgements and estimates (continued)

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

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

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

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

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

Cash and cash equivalents
Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

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

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

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

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

Equity instruments
Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of transaction costs.

Foreign currency
Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Non-monetary assets and liabilities that are measured at historical cost and denominated in foreign currencies are retranslated at the rate ruling at the date of the transaction. Gains and losses arising on translation in the period are included in the income statement.

Notes to the financial statements (continued)

1 Accounting policies, judgements and estimates (continued)

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

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

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

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

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

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

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

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

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

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

Recoverability of trade receivables and accrued income
The Company has material amounts of billed and unbilled work outstanding at 31 March 2023. 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. Management applies judgement on specific allowances for impairment based on the information available at each reporting date which includes information about past events, current conditions and forecasts of the future economic condition of customers.

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 in the next financial year.

Notes to the financial statements (continued)

2 Revenue

The Company derives all of its revenue from the provision of services to customers based in the United Kingdom, other European countries and the rest of the world.

	17 month period ended 31 March 2023 £000	Year ended 31 October 2021 £000
By geographical market:		
United Kingdom	**4,403**	2,790
Europe	**940**	97
Rest of the world	**198**	-
	5,541	2,887

3 Operating profit

Operating profit is stated after charging/(crediting):

	17 month period ended 31 March 2023 £000	Year ended 31 October 2021 £000
Depreciation of property, plant and equipment (Note 10)	**27**	37
Amortisation of intangible assets (Note 9)	**6**	9
Loss on disposal of property, plant and equipment	**32**	-
Operating lease charges	**81**	38
Bad debt write off	**328**	-
Other operating income	**-**	(89)

For the 17 month period ended 31 March 2023, a net amount of £nil (year ended 31 October 2021: £89,000) was received, which represents UK Government grants received under the Coronavirus Job Retention Scheme relating to furloughed employees working directly for the Company.

4 Staff numbers and costs

Prior to the acquisition of the Company, 39 employees were directly employed by the Company. Post acquisition these employees worked for the Company but were employed by another Group company and the associated costs were allocated to the Company for cost recharging purposes. The average monthly number of persons (including Directors) employed by the Company or another Group company during the period or year, was as follows.

	17 month period ended 31 March 2023 Number	Year ended 31 October 2021 Number
Total	**39**	33

Notes to the financial statements (continued)

4 Staff numbers and costs (continued)

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

	17 month period ended 31 March 2023 £000	Year ended 31 October 2021 £000
Wages and salaries	**1,893**	1,019
Social security costs	**208**	121
Pension costs	**92**	24
	2,193	1,164

5 Directors' remuneration

	17 month period ended 31 March 2023 £000	Year ended 31 October 2021 £000
Directors' emoluments	**40**	161

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
T W Howell	Mitie Limited	Mitie Landscapes Limited
M R Peacock	Mitie Limited	Mitie Limited

Notes to the financial statements (continued)

6 Finance income

	17 month period ended 31 March 2023 £000	Year ended 31 October 2021 £000
Bank interest	1	-
	1	-

7 Finance costs

	17 month period ended 31 March 2023 £000	Year ended 31 October 2021 £000
Interest on bank loans and overdrafts	3	3
Interest on finance lease liabilities	1	-
	4	3

Notes to the financial statements (continued)

8 Tax

	17 month period ended 31 March 2023 £000	Year ended 31 October 2021 £000
Analysis of charge/(credit) in the period/year		
UK corporation tax at 19% (year ended 31 October 2021: 19%)		
Current tax on profit for the period/year	**64**	14
Total current tax charge	**64**	14
Deferred tax (see Note 16)		
Origination and reversal of temporary timing differences	**(15)**	28
Change in statutory tax rate	**(4)**	-
Total deferred tax (credit)/charge	**(19)**	28
Total charge for the period/year	**45**	42
Tax reconciliation		
Profit before tax	**229**	221
Tax using the UK corporation tax rate of 19% (year ended 31 October 2021: 19%)	**44**	42
Items not (taxable)/deductible for tax purposes	**(1)**	1
Capital allowances super deduction	**(1)**	(1)
Change in statutory tax rate	**(4)**	-
Movement in previously unrecognised deferred tax	**7**	-
Total tax charge	**45**	42

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

Notes to the financial statements (continued)

9 Intangible assets

	Patents[1] £000	Licences[1] £000	Total £000
Cost			
At 1 November 2021	17	46	63
Disposals	(17)	-	(17)
At 31 March 2023	-	**46**	**46**
Amortisation			
At 1 November 2021	7	11	18
Charge for the period	1	5	6
Disposals	(8)	-	(8)
At 31 March 2023	-	**16**	**16**
Net book value			
At 1 November 2021	10	35	45
At 31 March 2023	-	**30**	**30**

Note:
1. Balances as at 31 October 2021 have been re-presented to an alternative format. See Note 1c.

Notes to the financial statements (continued)

10 Property, plant and equipment

	Building improvements £000	Plant and vehicles[1] £000	Total £000
Cost			
At 1 November 2021	-	359	359
Additions	28	15	43
Disposals	-	(256)	(256)
At 31 March 2023	**28**	**118**	**146**
Accumulated depreciation			
At 1 November 2021	-	157	157
Charge for the period	3	24	27
Disposals	-	(98)	(98)
At 31 March 2023	**3**	**83**	**86**
Net book value			
At 1 November 2021	-	202	202
At 31 March 2023	**25**	**35**	**60**

Note:
1. Balances as at 31 October 2021 have been re-presented to an alternative format. See Note 1c.

The net book value of property, plant and equipment includes the following in respect of assets held under finance leases.

	31 March 2023 £000	31 October 2021 £000
Plant and vehicles	**9**	15
	9	15

11 Inventories

	31 March 2023 £000	31 October 2021 £000
Raw materials and consumables	**188**	186
	188	186

Notes to the financial statements (continued)

12 Trade and other receivables

	31 March 2023 £000	Restated[1] 31 October 2021 £000
Trade receivables	537	440
Amounts owed by Group undertakings	-	272
Prepayments	124	93
Accrued income	281	160
Other taxes and social security	103	-
Other receivables	12	5
	1,057	970

Note:
1. Balances as at 31 October 2021 have been re-presented to an alternative format. See Note 1c.

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

Amounts owed by Group undertakings are repayable on demand.

13 Trade and other payables

	31 March 2023 £000	Restated[1] 31 October 2021 £000
Bank loans (Note 14)	-	229
Obligations under finance leases (Note 15)	7	114
Trade payables	180	230
Amounts owed to Group undertakings	226	-
Other taxes and social security	1	73
Accruals	46	25
	460	671
Current	460	486
Non-current	-	185

Note:
1. Balances as at 31 October 2021 have been re-presented to an alternative format. See Note 1c.

Trade and other payables are interest free, except for bank loans and obligations under finance leases.

Amounts owed to Group undertakings are repayable on demand.

Notes to the financial statements (continued)

14 Bank loans

	31 March 2023 £000	31 October 2021 £000
Secured bank loans	-	229
	-	229
Current	-	125
Non-current	-	104

The bank loan was a Coronavirus Business Interruption Loan Scheme and was secured by a fixed and floating charge over all assets. The charge was satisfied in January 2022.

15 Obligations under finance leases

	31 March 2023 £000	31 October 2021 £000
Hire purchase contracts	7	114
	7	114
Current	7	33
Non-current	-	81

The hire purchase creditors are secured over the assets to which they relate.

	31 March 2023 £000	31 October 2021 £000
Future minimum lease payments due under finance leases:		
Within one year	8	37
In two to five years	-	92
	8	129

Notes to the financial statements (continued)

16 Deferred tax liabilities

	Losses	Accelerated capital allowances	Total
	£000	£000	£000
At 1 November 2020	-	-	-
Recognised in income statement	(11)	39	28
At 31 October 2021	(11)	39	28
Recognised in income statement	11	(30)	(19)
At 31 March 2023	**-**	**9**	**9**

Deferred tax has been calculated using tax rates that were substantively enacted at the balance sheet date (see Note 8).

17 Operating lease commitments

At the reporting end date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows.

	31 March 2023	31 October 2021
	£000	£000
Future minimum lease payments due under non-cancellable operating leases:		
Within one year	**65**	29
Between two to five years	**155**	29
More than five years	**80**	-
	300	58

18 Equity

Share capital	**31 March 2023**	31 October 2021	**31 March 2023**	31 October 2021
	Number	Number	**£000**	£000
Ordinary shares of £1 each	**1,080**	1,080	**1**	1

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Share premium
Share premium represents the premium arising on the issue of equity shares.

Capital redemption reserve
This reserve represents the cumulative nominal value of the Company's shares repurchased and subsequently cancelled.

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

Notes to the financial statements (continued)

19 Related parties

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

20 Subsequent events

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

21 Ultimate parent company and parent company of larger group

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