

**Company Registration Number 02565912**

**MITIE ENGINEERING SERVICES (SCOTLAND) LIMITED**

**Report and Financial Statements**

**31 March 2010**

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# **MITIE ENGINEERING SERVICES (SCOTLAND) LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2010**

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## **MITIE ENGINEERING SERVICES (SCOTLAND) LIMITED**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

S C Baxter  
R McGregor-Smith  
S S Wallace

#### **SECRETARY**

MITIE Company Secretarial Services Limited

#### **REGISTERED OFFICE**

8 Monarch Court  
The Brooms  
Emersons Green  
Bristol  
BS16 7FH

#### **BANKERS**

National Westminster Bank Plc  
32 Corn Street  
Bristol  
BS99 7UG

#### **AUDITORS**

Deloitte LLP  
Chartered Accountants  
London  
EC4A 3BZ

## **MITIE ENGINEERING SERVICES (SCOTLAND) LIMITED**

### **DIRECTORS' REPORT**

The directors present their annual report and audited financial statements for the year ended 31 March 2010

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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 then 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.

### **PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The company is a wholly owned subsidiary of MITIE Group Plc (the 'Group'). The company provides the installation of electrical and mechanical services in commercial and industrial premises.

The company made a decision in the year not to enter into any new contracts. The company's activities are therefore in the process of being run down. As a result, given the company's financial position and performance, its financial statements have been prepared on a basis other than that of a going concern (note 1).

As shown in the company's profit and loss account on page 6, a loss after tax of £714,618 arose compared with a loss for the previous year of £197,176.

The balance sheet on page 7 of the financial statements shows that the company's financial position at the year end has, in net liabilities terms, worsened relative to the prior year.

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

## **MITIE ENGINEERING SERVICES (SCOTLAND) LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **GOING CONCERN**

The company made a decision in the year not to enter into any new contracts, with a view to transferring the company's trade and assets to a fellow group company within the next 12 months. The company's activities are therefore in the process of being run down. As a result, the company's financial statements have been prepared on a basis other than that of a going concern (note 1).

#### **DIVIDENDS**

No dividends were approved or paid during the year or the previous year.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

Loss of key customers is a key risk to the business. The company manages this risk by developing and maintaining strong relationships with these customers.

Group risks are discussed in the Group's annual report which does not form part of this report.

#### **FINANCIAL RISK MANAGEMENT**

The directors have reviewed the financial risk management objectives and policies of the company. The directors do not believe there to be significant risks in this area. The company does not enter into any hedging instruments, as there are not believed to be any material exposures. It does not enter into any financial instruments for speculative purposes.

Appropriate trade terms are negotiated with suppliers and customers. Management reviews these terms and the relationships with suppliers and customers and manages any exposure on normal trade terms. The company prepares regular forecasts of cash flow and liquidity and any requirement for additional funding is managed as part of the overall MITIE Group PLC financing arrangements.

#### **PAYMENT POLICY**

The company's policy is to comply with the terms of payment agreed with a supplier. Where terms are not negotiated, the company endeavours to adhere with the supplier's standard terms. As at 31 March 2010 trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 152 days (2009: 139 days). In the industry in which the company operates, credit periods are frequently extended by agreement. The company's creditor days are a reflection of this custom.

#### **ENVIRONMENT**

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

## **MITIE ENGINEERING SERVICES (SCOTLAND) LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **EMPLOYEES**

The company offers equal opportunities to all applicants for employment whatever their sex, race or religion. Disabled persons are considered for employment, training, career development and promotion on the basis of their aptitudes and abilities in common with all employees, providing the disability does not make the particular employment impractical or the employee unable to conform to the stringent regulations which apply to the operations of the company.

The company recognises the importance of good communications and employee relationships. In each company there is a relationship between the Chief Executive of MITIE Group PLC and individual employees in the company. In these conditions, complex consultative procedures are seldom required to ensure that there is an understanding of the purpose of the business and the commercial realities of success. Employees are encouraged to become shareholders through the Savings Related Share Option Scheme.

#### **DIRECTORS**

The directors during the year and subsequently were as follows:

S C Baxter  
D Freeman (resigned 13 September 2010)  
R McGregor-Smith  
W Mitchell (resigned 28 May 2010)  
I M Strong (resigned 5 June 2009)  
S S Wallace

#### **AUDITORS**

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



**S C Baxter**  
Director

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MITIE ENGINEERING SERVICES (SCOTLAND) LIMITED**

We have audited the financial statements of MITIE Engineering Services (Scotland) Limited for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. 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).

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

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

As explained more fully in the Directors' Responsibilities Statement, 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 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.

### **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.

### **Opinion on 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 2010 and of its loss 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.

### **Emphasis of matter – Financial statements prepared other than on a going concern basis**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

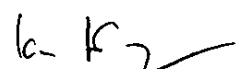
### **Opinion on other matter prescribed by the Companies Act 2006**

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.

### **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.



**Ian Krieger (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
London, United Kingdom

28 April 2011

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**MITIE ENGINEERING SERVICES (SCOTLAND) LIMITED****PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 2010**

	<b>Note</b>	<b>2010 £</b>	<b>2009 £</b>
<b>TURNOVER</b>	<b>1</b>	-	384,761
Cost of sales		-	(429,459)
<b>GROSS LOSS</b>		-	(44,698)
Administrative expenses		(905,967)	(746)
<b>OPERATING LOSS</b>	<b>2</b>	(905,967)	(45,444)
Interest payable and similar charges	<b>3</b>	(83,176)	(164,313)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(989,143)	(209,757)
Tax credit on loss on ordinary activities	<b>4</b>	274,525	12,581
<b>LOSS FOR THE FINANCIAL YEAR</b>	<b>10</b>	(714,618)	(197,176)

The results for the period are wholly attributable to the discontinued operations of the company

There are no recognised gains and losses for the current and preceding financial year other than as stated in the profit and loss account. Accordingly, no separate statement of total recognised gains and losses is presented.



**MITIE ENGINEERING SERVICES (SCOTLAND) LIMITED**

**BALANCE SHEET**

At 31 March 2010

	Note	2010	2009
		£	£
<b>CURRENT ASSETS</b>			
Debtors	5	247,754	1,557,274
		<u>247,754</u>	<u>1,557,274</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	6	(3,156,245)	(3,251,147)
<b>NET CURRENT LIABILITIES</b>		<u>(2,908,491)</u>	<u>(1,693,873)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(2,908,491)	(1,693,873)
<b>PROVISIONS FOR LIABILITIES</b>	7	-	(500,000)
<b>NET LIABILITIES</b>		<u>(2,908,491)</u>	<u>(2,193,873)</u>
<b>SHARE CAPITAL AND RESERVES</b>			
Called up share capital	8	111,000	111,000
Share premium account	9	9,000	9,000
Profit and loss account	10	(3,028,491)	(2,313,873)
<b>SHAREHOLDERS' DEFICIT</b>	11	<u>(2,908,491)</u>	<u>(2,193,873)</u>

The financial statements of MITIE Engineering Services (Scotland) Limited, company registration number 02565912, were approved by the board on **28 APRIL 2011**



**S C Baxter**  
Director

## **MITIE ENGINEERING SERVICES (SCOTLAND) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2010**

#### **1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current and the prior financial year, are described below.

##### **Accounting convention**

The financial statements are prepared under the historical cost convention.

##### **Basis of preparation and going concern**

As explained in the directors' report, the company has taken the decision not to enter into any new contracts. As required by FRS 18 Accounting Policies, the directors have prepared the financial statements on the basis that the company is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis.

##### **Turnover**

Turnover represents the total, excluding sales taxes, receivable in respect of goods and services supplied and contract work completed in the year. All turnover arises within the United Kingdom, from the company's principal activity.

Turnover from bundled contracts consists of various components which operate independently of each other and for which reliable fair values can be established. Accordingly, each component is accounted for separately as if it were an individual contractual arrangement.

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

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts receivable as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of the total contract value which costs incurred to date bear to total expected costs for that contract.

##### **Tax**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

## MITIE ENGINEERING SERVICES (SCOTLAND) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

#### 1. ACCOUNTING POLICIES (continued)

##### Leasing commitments

Rentals paid under operating leases are charged against income on a straight-line basis over the lease term

##### Pension costs

The company participates in the MITIE Group PLC Pension Schemes. One is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the Group. For the purposes of Financial Reporting Standard 17 ('Retirement Benefits'), the company has been unable to identify its share of the underlying assets and liabilities in the main Group scheme on a consistent and reasonable basis. Therefore the company is accounting for contributions to the scheme as if it were a defined contribution scheme.

For defined contribution schemes the amount charged to the profit and loss account is the contributions payable in the year.

##### Share-based payments

The company participates in a number of MITIE Group PLC executive and employee share option schemes. For all grants of share options, the fair value as at the date of grant is calculated using the Black-Scholes model and the corresponding expense is recognised on a straight-line basis over the vesting period based on the company's estimate of shares that will actually vest.

##### Cash flow statement

The company has taken the exemption from the requirement to prepare a cash flow statement, as it is included within the consolidated financial statements of MITIE Group PLC and greater than 90% of the voting rights of the company are held by MITIE Group PLC.

#### 2. OPERATING LOSS

	2010	2009
	£	£
Operating loss is stated after charging		
Auditors' remuneration - audit services	1,500	3,000

#### 3. INTEREST PAYABLE AND SIMILAR CHARGES

	2010	2009
	£	£
Bank interest	83,176	164,313

# MITIE ENGINEERING SERVICES (SCOTLAND) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

### 4. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2010 £	2009 £
<b>(a) Analysis of credit in year</b>		
United Kingdom corporation tax at 28% (2009 28%)	(276,306)	(16,156)
Adjustment in respect of prior years	(841)	-
<b>Total current tax (note 4(b))</b>	<u>(277,147)</u>	<u>(16,156)</u>
Deferred taxation		
Timing differences - origination and reversal	1,295	3,405
Adjustment in respect of prior years	957	170
Adjustment in respect of a change in tax rate	370	-
<b>Tax credit on loss on ordinary activities</b>	<u>(274,525)</u>	<u>(12,581)</u>

#### (b) Factors affecting tax credit in year

The tax assessed for the period is higher than that resulting from applying the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are as follows

	£	£
Loss on ordinary activities before tax	<u>(989,143)</u>	<u>(209,757)</u>
	£	£
Tax at 28% (2009 28%) thereon	(276,960)	(58,732)
Expenses not deductible for tax purposes	1,949	44,405
Depreciation less than capital allowances	(1,295)	(1,858)
Relief in respect of employee share options	-	217
Movement in short-term timing differences	-	(188)
Adjustment in respect of prior years	(841)	-
<b>Current tax credit for the year (note 4(a))</b>	<u>(277,147)</u>	<u>(16,156)</u>

#### (c) Factors affecting future tax charges

The company is not aware of any factors that will materially affect the future tax charge apart from the proposed, phased reduction in corporation tax rates to 23% by 2014 which has not yet been enacted

# MITIE ENGINEERING SERVICES (SCOTLAND) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

5	DEBTORS	2010 £	2009 £
	Trade debtors	17,949	1,053,845
	Amounts recoverable on contracts	-	126,130
	Amounts owed by Group undertakings	-	19,954
	Corporation tax	170,490	339,913
	Deferred tax asset	4,810	7,432
	Prepayments and accrued income	-	10,000
	Other taxes and social security costs	54,505	-
		<u>247,754</u>	<u>1,557,274</u>

A net deferred tax asset of £4,180 has been recognised at 31 March 2010 (2009 £7,432). This asset relates to negative accelerated capital allowances. The directors are of the opinion that suitable profits will be available in the future periods in which these differences will reverse. The amount debited to the profit and loss account in the year was £2,623 (2009 £3,575).

6.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2010 £	2009 £
	Bank overdraft	2,804,560	2,923,148
	Trade creditors	343,736	174,323
	Amounts owed to Group undertakings	-	132,594
	Other taxes and social security costs	-	1,560
	Other creditors	-	12,107
	Accruals and deferred income	7,949	7,415
		<u>3,156,245</u>	<u>3,251,147</u>

7.	PROVISIONS FOR LIABILITIES	£
	At 1 April 2009	500,000
	Charged to the profit and loss account	(500,000)
	At 31 March 2010	<u>-</u>

The provision was in relation to a settlement agreement

8.	CALLED UP SHARE CAPITAL	2010 £	2009 £
	Allotted, called up and fully paid		
	57,000 £1 'A' ordinary shares	57,000	57,000
	54,000 £1 'B' ordinary shares	54,000	54,000
		<u>111,000</u>	<u>111,000</u>

# MITIE ENGINEERING SERVICES (SCOTLAND) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

<b>9. SHARE PREMIUM ACCOUNT</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Share premium account	9,000	9,000
	<u>          </u>	<u>          </u>
<b>10. PROFIT AND LOSS ACCOUNT</b>	<b>£</b>	
At 1 April 2009	(2,313,873)	
Loss for the financial year	(714,618)	
	<u>          </u>	
At 31 March 2010	(3,028,491)	
	<u>          </u>	
<b>11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Loss for the financial year	(714,618)	(197,176)
Capital contribution	-	776
	<u>          </u>	<u>          </u>
Net increase to shareholders' deficit	(714,618)	(196,400)
Opening shareholders' deficit	(2,193,873)	(1,997,473)
	<u>          </u>	<u>          </u>
Closing shareholders' deficit	(2,908,491)	(2,193,873)
	<u>          </u>	<u>          </u>
<b>12. DIRECTORS</b>		

S C Baxter and R McGregor-Smith are remunerated by MITIE Group PLC and D Freeman, W Mitchell, I M Strong and S S Wallace were remunerated by MITIE Engineering Services Limited for their services to the Group as a whole. It is not practicable to allocate their remuneration between their services as directors of MITIE Engineering Services (Scotland) Limited and their services to other Group companies.

No directors exercised options in the shares of the ultimate holding company, MITIE Group PLC, during the period (2009 no directors) excluding those directors who are also directors of MITIE Group PLC in respect of whom disclosures are made in the Group accounts.

## MITIE ENGINEERING SERVICES (SCOTLAND) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2010

#### 13. EMPLOYEES

##### Number of employees

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

	2010 No.	2009 No.
Site labour	-	-
Administration and management	-	-
	<u>-</u>	<u>-</u>
		-
	<u>-</u>	<u>-</u>
<b>Employment costs</b>	<b>£</b>	<b>£</b>
Wages and salaries	-	200,215
Redundancy costs	54,924	-
Social security costs	-	15,386
Share-based payment expense (see note 18)	-	776
	<u>54,924</u>	<u>216,377</u>

Employment costs represent recharges from MITIE Engineering Services (Edinburgh) Limited for the use of staff employed by MITIE Engineering Services (Edinburgh) Limited

#### 14. RELATED PARTY TRANSACTIONS

There were no transactions with entities other than members of MITIE Group PLC which require disclosure under FRS 8

#### 15. PENSION ARRANGEMENTS

The company participates in the MITIE Group PLC Pension Scheme. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the Group. For the purposes of Financial Reporting Standard 17 ('Retirement Benefits'), the company has been unable to identify its share of the underlying assets and liabilities in the main Group scheme on a consistent and reasonable basis. Therefore the company is accounting for contributions to the scheme as if it were a defined contribution scheme. Note 33 to the Report and Accounts of the Group sets out the details of the International Accounting Standard 19 'Employee Benefits' net pension deficit of £6.8 million (2009 surplus of £3.0 million).

Contributions to the scheme for the period are shown in note 13 and the agreed contribution rate for the next 12 months is 17.5% (2009 17.5%).

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## **MITIE ENGINEERING SERVICES (SCOTLAND) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2010**

#### **16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The directors regard MITIE Group PLC, a company registered in Scotland, as the company's ultimate parent undertaking and controlling party. MITIE Group PLC is the smallest and largest group for which Group accounts are prepared. Copies of the Group financial statements can be obtained from the Company Secretary at the registered office.