Mitie Cleaning & Environmental Services Limited

Annual Report and Financial Statements

Registered number 00686377

31 March 2016

Contents

Company information

Directors

M A Freeman
R D Forsyth
J S Tomlin

Secretary

Mitie Company Secretarial Services Limited

Registered office

1 Harlequin Office Park
Fieldfare
Emersons Green
Bristol
BS16 7FN

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

Strategic report

Mitie Cleaning & Environmental Services Limited ("the Company") is part of the Mitie group of companies ("the Group"), the ultimate parent company being Mitie Group plc.

The directors, in preparing this strategic report, have complied with Section 414c of the Companies Act 2006.

Review of the business

The principal activity of the Company continued to be the provision of cleaning services to commercial, manufacturing, retail and healthcare clients. The Company bought the trade and assets of Mitie Transport Services Limited on 31st March 2016, an entity providing cleaning services to transport sector clients.

As shown in the Company's profit and loss account on page 10, the Company's revenue was £328.2m (2015: £331.0m) and the profit after tax was £6.9m (2015: £4.5m).

Key performance indicators

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

Principal risks and uncertainties

The Company is part of the Mitie Group and manages its risks within the Mitie Group Risk Framework. Details of the principal risks and uncertainties are given in the Mitie Group plc annual report. The directors have reviewed the financial risk management objectives and policies of the Company in the light of the Group Risk Framework.

Strategic report *(continued)*

Key risks include:

Strategic Risks

Changes in the market and to the economic conditions

The Company is exposed to UK market conditions. Company performance and resourcing requirements may be impacted by any changes in the market. We have an ability to recognise and adapt to any change in requirement for services and are well placed to adapt to policy changes.

Financial Risks

Reliance on material counterparties

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

Operational Risks

Significant health, safety or environmental incident

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

System, process or control failure

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

Attracting and retaining skilled people

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

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

Future developments
The directors expect the business to grow in line with Group strategy and from incorporating the purchase of the trade and net assets of Mitie Transport Services Limited.

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

Approved by the Board and signed on its behalf by:

M A Freeman
Director

29 June 2016

Directors' report

The Directors present the annual report and audited financial statements of Mitie Cleaning & Environmental Services Limited ('the Company') for the year ended 31 March 2016.

In preparing this Directors' Report, the Directors have complied with S414C(11) of the Companies Act 2006 by including certain disclosures required by S416(4) within the Strategic Report.

Going concern
The company's business activities, together with the factors likely to affect its future development and position are set out in the Strategic report.

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its ultimate parent and fellow subsidiaries.

The directors, having assessed the responses of the directors of the company's ultimate parent Mitie Group plc to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Mitie group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Mitie Group plc, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors
The directors who held office during the year, together with those subsequently appointed, were:

Director	**Date of appointment**	**Date of resignation**
S C Baxter		26/10/2015
R D Forsyth	27/04/2015	
M A Freeman		
R McGregor-Smith		26/10/2015
J S Tomlin	27/04/2015	

Dividends
Dividends per share for each share class were declared and paid during the year as follows:

	2016	2015
	£	£
Ordinary	**36,315**	300,000

Directors' report *(continued)*

Employees

The Company recognises the importance of good communications and employee relationships. The Group communicates with employees via multiple channels, including group-wide mailings, employee magazines and updates, employee-focused initiatives and events (including group business roadshows), media networks and the provision of access to broadcasts of periodic financial presentations.

The Company remains committed to developing a culture that encourages the inclusion and diversity of all of the Company's employees through respecting and appreciating their differences and promoting the continuous development of employees through skills enhancement and training programmes.

The Company's employment policies are designed to attract, retain, train and motivate the very best people, recognising that this can be achieved only through offering equal opportunities regardless of gender, race, religion, age, disability, sexual orientation or any other aspect of diversity. Applications from disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. It is the policy of the Company that the training, career development and promotion of disabled persons (including those who become disabled whilst employees of the Company) should, as far as reasonably possible, be identical to that of other employees.

Environment

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

Political contributions

The Company made no political donations nor incurred any political expenditure during the year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given, and should be interpreted in accordance with Section 418 of the Companies Act 2006.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 4.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will, therefore, continue in office.

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the board

M A Freeman
Director

1 Harlequin Office Park
Fieldfare
Emersons Green
BS16 7FN

29 June 2016

Independent auditor's report to the members of Mitie Cleaning & Environmental Services Limited

We have audited the financial statements of Mitie Cleaning & Environmental Services Limited for the year ended 31 March 2016 which comprise the Profit and loss account, and other comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 27. 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), including Financial Reporting Standard 101 Reduced Disclosure Framework.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities in respect of the annual report and the financial statements, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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.

John Charlton (Senior Statutory Auditor)
for and on behalf of Deloitte LLP,
Chartered Accountants and Statutory Auditor
London
United Kingdom

29 June 2016

Profit and loss account

	Note	2016 Total £000	Restated 2015 Total £000
Turnover	3	**328,189**	331,008
Cost of sales		**(293,324)**	(297,394)
Gross profit		**34,865**	33,614
Administrative expenses		**(25,463)**	(27,923)
Operating profit	4	**9,402**	5,691
Other interest receivable and similar income	7	**-**	371
Interest payable and similar charges	8	**(636)**	(421)
Profit on ordinary activities before taxation		**8,766**	5,641
Tax on profit on ordinary activities	9	**(1,898)**	(1,163)
Profit for the financial year		**6,868**	4,478

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

Other comprehensive income

	2016	2015
	£000	£000
Profit for the year	**6,868**	4,478
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Deferred tax attributable to actuarial losses	**(3)**	-
Total comprehensive income for the year	**6,865**	4,478

Balance sheet

	Note	2016 £000	Restated 2015 £000
Fixed assets			
Intangible assets			
Goodwill	*10*	**803**	588
Other intangibles	*11*	**4,047**	1
Tangible assets	*12*	**7,156**	8,261
		12,006	8,850
Current assets			
Stocks	*13*	**3,069**	2,012
Debtors (including £7,581,000 due after more than one year (2015: £6,147,000)	*14*	**66,834**	60,062
Cash at bank and in hand		**939**	349
		70,842	62,423
Creditors: amounts falling due within one year	*15*	**(72,374)**	(64,284)
Net current liabilities		**(1,532)**	(1,861)
Total assets less current liabilities		**10,474**	6,989
Creditors: amounts falling due after more than one year	*16*	**(124)**	(171)
Net assets		**10,350**	6,818
Capital and reserves			
Called up share capital	*21*	**-**	-
Profit and loss account		**10,350**	6,818
Shareholders' funds		**10,350**	6,818

These financial statements of Mitie Cleaning & Environmental Services Limited, company number 00686377, were approved by the board of directors on 29 June 2016 and were signed on its behalf by:

M A Freeman
Director

Statement of changes in equity

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2014	-	31,758	31,758
Total comprehensive income for the year			
Profit	-	4,478	4,478
Total comprehensive income for the year	-	4,478	4,478
Transactions with owners, recorded directly in equity			
Dividends	-	(30,000)	(30,000)
Equity-settled share based payment transactions		582	582
Total contributions by and distributions to owners	-	(29,418)	(29,418)
Balance at 31 March 2015	-	6,818	6,818

Statement of changes in equity *(continued)*

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2015	-	6,818	6,818
Total comprehensive income for the year			
Profit	-	6,868	6,868
Other comprehensive income (see note 21)		(3)	(3)
Total comprehensive income for the year	-	6,865	6,865
Transactions with owners, recorded directly in equity			
Equity-settled share based payment transactions	-	297	297
Pension reserves adjustment		(13)	(13)
Long term incentive plan dividend equivalents		7	7
Tax on share based payments		8	8
Dividends	-	(3,632)	(3,632)
Total contributions by and distributions to owners	-	(3,333)	(3,333)
Balance at 31 March 2016	-	10,350	10,350

Notes

1 Accounting policies

Mitie Cleaning & Environmental Services Limited (the "Company") is incorporated in England and Wales and domiciled in the UK.

The Company's ultimate parent undertaking, Mitie Group plc includes the Company in its consolidated financial statements. The consolidated financial statements of Mitie Group plc, which are prepared in accordance with International Financial Reporting Standards, are available to the public and may be obtained from www.mitie.com.

As more fully detailed in the Directors' report the Company's financial statements have been prepared on a going concern basis.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")*. The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied.

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

In these financial statements, the company has adopted FRS 101 for the first time. In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 26.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Employee benefits - All cumulative actuarial gains and losses on defined benefit plans have been recognised in equity at 1 April 2014.
- Share based payments - IFRS 2 is being applied to equity instruments that were granted after 7 November 2002 and that had not vested by 1 April 2014.

Notes *(continued)*

1 Accounting policies *(continued)*

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

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

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

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures.*

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 April 2014 for the purposes of the transition to FRS 101.

Judgements made by the directors, in the application of these accounting policies, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Measurement convention

The financial statements are prepared on the historical cost basis.

Foreign currency

The financial statements are prepared in the functional currency applicable to the business. Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the Company

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

Assets that are assessed not to be individually impaired are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes the company's past experience of collecting payments, the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit and loss account.

Financial assets comprise loans and receivables and are measured at initial recognition at fair value and subsequently at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised where there is objective evidence that the asset is impaired. Cash and cash equivalents comprise cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities comprise trade payables, financing liabilities, including bank and other borrowings, put options on non-controlling interests and deferred contingent consideration. These are measured at initial recognition at fair value and subsequently at amortised cost.

Intra-group financial instruments

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

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets

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

- Leasehold improvements: period of the lease
- Plant and vehicles: 3 - 5 years

Annually the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the CGU 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Intangible assets

Intangible assets identified in a business acquisition are capitalised at fair value as at the date of acquisition.

Software and development expenditure is capitalised as an intangible asset if the asset created can be identified, if it is probable that the asset created will generate future economic benefits and if the development cost of the asset can be measured reliably.

Following initial recognition, the carrying amount of an intangible asset is its cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are reviewed for impairment annually, or more frequently when there is an indication that they may be impaired. Amortisation expense is charged to administrative expenses in the income statement on a straight-line basis over its useful life.

Stocks

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

Notes *(continued)*

1 Accounting policies *(continued)*

Employee benefits

Retirement benefit costs

The company participates in 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 IAS 19 – Employee Benefits, the company has been unable to identify its share of underlying assets and liabilities in this 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.

The company also participates in a number of defined other local government defined benefit schemes. In respect of the schemes in which the company participates, the company accounts for its legal and constructive obligations over the period of its participation which is for a fixed period only.

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

Share-based payment transactions

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 appropriate valuation model and the corresponding expense is recognised on a straight-line basis over the vesting period based on the Company's estimate of shares that will actually vest. Further details of the Group's share option schemes are contained in the Mitie Group plc annual report.

The Company took advantage of the option available in IFRS 1 to apply IFRS 2 only to equity instruments that were granted after 7 November 2002 and that had not vested by 1 April 2014.

Turnover

Turnover represents income recognised in respect of services provided during the year (stated net of sales taxes) and is earned predominantly within the United Kingdom. Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and can be reliably measured. When turnover is recognised but has not yet been billed accrued income arises. Deferred income arises when the Company has billed clients in advance of recognising revenue.

Recognition: repeat service-based contracts (single and bundled contracts)

Turnover is recognised on a straight-line basis unless this is not an accurate reflection of the work performed. Where a straight-line basis is not appropriate, for example if specific works on contracts represent a significant element of the whole, turnover is recognised based on the percentage of completion method, based on the proportion of costs incurred at the balance sheet date relative to the total estimated cost of completing the contracted work.

Costs incurred after confirmation of preferred bidder, but before the commencement of services under the contract, are defined as mobilisation costs. These costs are capitalised and included within trade and other receivables on the balance sheet provided that the costs relate directly to the contract, are separately identifiable, can be measured reliably and that the future net cash inflows from the contract are estimated to be no less than the amounts capitalised. The capitalised mobilisation costs are amortised over the life of the contract, generally on a straight-line basis, or on a basis to reflect the profile of work to be performed over the life of the contract if the straight-line basis is not considered to be appropriate for the specific contract to which the costs relate. If the contract becomes loss making, any unamortised costs are written off immediately.

Notes *(continued)*

1 Accounting policies *(continued)*

Leasing

Finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Any lease incentives are amortised on a straight-line basis over the non-cancellable period for which the company has contracted to lease the asset, together with any further terms for which the company has the option to continue to lease the asset if, at the inception of the lease, it is judged to be reasonably certain that the company will exercise the option.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

Business Combinations

Subject to the transitional relief in IFRS 1, all business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the company.

The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company in exchange for control of the acquiree. Acquisition costs incurred are expensed. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair value at the acquisition date,

Where applicable, the consideration for an acquisition includes any assets or liabilities resulting from a contingent consideration arrangement, measured at fair value at the acquisition date. Subsequent changes in such fair values are adjusted against the cost of acquisition where they result from additional information, obtained within one year from the acquisition date, about facts and circumstances that existed at the acquisition date. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are recognised in accordance with IAS 39, either in profit or loss or as a change to other comprehensive income. Changes in the fair value of contingent consideration classified as equity are not recognised.

2 Accounting estimates and judgements

In the process of applying the Company's accounting policies, which are described in note 1 above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

Revenue is recognised for certain long-term complex projects based on the stage of completion of the contract activity. This is measured by comparing the proportion of costs incurred, which include transition costs reflecting costs incurred in the performance of transitioning services (see Note 1), against the estimated whole-life contract costs. Particular judgement is required in evaluating the operational and financial business plans for these contracts to forecast the expected whole-life contract billings, costs and margin and to assess the recoverability of any resulting accrued income through the life of the contract. In forming the judgement around expected whole-life contract billings, account is taken of potential deductions from and increments to revenue that may arise from the application of performance related measures under contracts.

Measurement and impairment of goodwill and other intangible assets

The measurement of intangible assets other than goodwill on a business combination involves estimation of future cash flows and the selection of suitable discount rates. Determining whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the CGUs to which the goodwill has been allocated. The value in use calculation involves an estimation of the future cash flows of CGUs and also the selection of appropriate discount rates to use in order to calculate present values. The carrying value of goodwill and other intangible assets is £4,850,000 (2015: £589,000) at the balance sheet date.

Measurement of defined benefit pension obligations

The measurement of defined benefit pension obligation requires judgement. It is dependent on material key assumptions including discount rates, life expectancy rates, future returns on assets and future contribution rates.

3 Turnover

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

Notes *(continued)*

4 Expenses and auditor's remuneration

Included in profit are the following:

Auditor's remuneration:

	2016	2015
	£000	£000
Audit of these financial statements	**56**	67

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

5 Staff numbers and costs

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

	Number of employees	
	2016	2015
Operations	**30,463**	28,142
Administration	**440**	684
	30,903	28,826

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	**224,755**	232,231
Share based payments (See note 20)	**297**	582
Social security costs	**11,249**	11,288
Termination and redundancy payments	**1,382**	1,004
Other pension costs	**2,826**	2,303
	240,509	247,408

Notes *(continued)*

6 Directors' remuneration

	2016	2015
	£000	£000
Directors' emoluments	**571**	-
Company contributions to money purchase pension plans	**14**	-
	585	-

In respect of the highest paid director:

	2016	2015
	£000	£000
Emoluments and amounts receivable under long term incentive schemes	**363**	-
Accrued pension under defined benefit pension scheme	**23**	-

	Number of directors	
	2016	2015
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**1**	-
Defined benefit schemes	**1**	-
The number of directors who exercised share options was	**-**	-

The following directors are also directors of another group company. They are 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**
S C Baxter	Mitie Group plc
M A Freeman	Mitie Facilities Services Limited
R McGregor-Smith	Mitie Group plc

7 Other interest receivable and similar income

	2016	2015
	£000	£000
Bank interest	**-**	371
Total interest receivable and similar income	**-**	371

Notes *(continued)*

8 Interest payable and similar charges

	2016	2015
	£000	£000
Bank interest	**625**	412
Finance leases	**11**	9
Total other interest payable and similar charges	**636**	421

9 Taxation

	2016	2015
Analysis of charge in the year	**£000**	£000
UK corporation tax at *20% (*2015: 21%)		
Current tax on income for the period	**1,930**	1,588
Adjustments in respect of prior periods	**(222)**	(243)
Total current tax	**1,708**	1,345
Deferred tax (see note 18)		
Origination and reversal of temporary timing differences	**(70)**	(346)
Reduction in statutory tax rate	**28**	-
Adjustments in respect of prior periods	**232**	164
Total deferred tax	**190**	(182)
Tax on profit on ordinary activities	**1,898**	1,163

Notes *(continued)*

9 Taxation *(continued)*

Tax recognised directly in equity	**2016 £000**	2015 £000
Current tax recognised directly in equity	**(21)**	-
Deferred tax recognised directly in equity	**29**	-
Total tax recognised directly in equity	**8**	-

Reconciliation of effective tax rate	**2016 £000**	Restated 2015 £000
Profit for the year	**6,868**	4,478
Total tax expense	**1,898**	1,163
Profit excluding taxation	**8,766**	5,641
Tax using the UK corporation tax rate of 20% (2015: 21%)	**1,753**	1,185
Difference in tax rate on gain on sale of discontinued operations	**94**	-
Reduction in statutory tax rate on deferred tax balances	**28**	-
Expenses not deductible for tax purposes	**13**	(181)
Relief in respect of employee share options	**-**	(32)
Differences between capital allowances and depreciation	**-**	320
Other timing differences	**-**	114
Adjustments in respect of prior periods	**10**	(243)
Total tax expense	**1,898**	1,163

The main rate of corporation tax will remain at 20% until 1st April 2017 when it will reduce to 19%, remaining at this level until a further reduction to 18% from 1st April 2020. These rates have been used to calculate the deferred tax balance as they were substantively enacted at the balance sheet date.

Notes *(continued)*

10 Goodwill

	£000
Cost	
Balance at 1 April 2015	4,399
Acquisitions through business combinations (see note 24)	213
Balance at 31 March 2016	4,612
Accumulated impairment losses	
Balance at 1 April 2015	3,811
Amortisation adjustment	(2)
Balance at 31 March 2016	3,809
Net book value	
At 1 April 2015	588
At 31 March 2016	**803**

11 Intangible assets

	Development costs	Total
Cost	**£000**	**£000**
At 1 April 2015	223	223
Additions	4,048	4,048
At 31 March 2016	4,271	4,271
Amortisation		
At 1 April 2015	222	222
Charge for the year	2	2
At 31 March 2016	224	224
Net book value		
31 March 2016	**4,047**	**4,047**
At 1 April 2015	1	1

Intangibles are amortised over their estimated economic life therefore are not subject to impairment.

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with IAS 38.

Notes *(continued)*

12 Tangible fixed assets

	Leasehold improvements £000	Plant & vehicles £000	Total £000
Cost			
Balance at 1 April 2015	27	31,407	31,434
Acquisitions through business combinations (see note 24)	122	462	584
Additions	-	1,230	1,230
Disposals	-	(313)	(313)
Balance at 31 March 2016	149	32,786	32,935
Depreciation and Impairment			
Balance at 1 April 2015	27	23,146	23,173
Depreciation charge for the year	1	2,605	2,606
Balance at 31 March 2016	28	25,751	25,779
Net book value			
At 1 April 2015	-	8,261	8,261
At 31 March 2016	**121**	**7,035**	**7,156**

At 31 March 2016 the net carrying amount of leased plant and machinery was £143,000 (2015: £342,000).

13 Stocks

	2016 £000	2015 £000
Raw materials and consumables	**3,069**	2,012
	3,069	2,012

Notes *(continued)*

14 Debtors

	2016 £000	Restated 2015 £000
Trade debtors	**23,264**	19,803
Mobilisation costs	**2,781**	4,374
Amounts owed by group undertakings	**16,697**	17,047
Other debtors	**1,236**	1,894
Deferred tax assets (see note 18)	**272**	443
Prepayments	**3,808**	2,146
Corporation tax	**-**	486
Accrued income	**18,776**	13,869
Total	**66,834**	60,062
Due within one year	**59,253**	53,915
Due after more than one year	**7,581**	6,147

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

15 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Obligations under finance leases	**47**	224
Trade creditors	**10,572**	8,949
Amounts owed to group undertakings	**26,956**	20,183
Taxation and social security	**9,998**	13,398
Other creditors	**2,242**	514
Accruals and deferred income	**21,634**	21,016
Corporation tax	**925**	-
	72,374	64,284

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

Notes *(continued)*

16 Creditors: amounts falling due after more than one year

	2016	2015
	£000	£000
Obligations under finance leases	**124**	171
	124	171

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

17 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2016	2015
	£000	£000
Creditors falling due more than one year		
Finance lease liabilities	**124**	171
	124	171
Creditors falling due within less than one year		
Finance lease liabilities	**47**	224
	47	224

Notes *(continued)*

17 Interest-bearing loans and borrowings *(continued)*

Finance lease liabilities are payable as follows:

	Minimum lease payments 2016 £000	**Interest 2016 £000**	**Principal 2016 £000**	Minimum lease payments 2015 £000	Interest 2015 £000	Principal 2015 £000
	188	**(17)**	**171**	418	(23)	395
	188	**(17)**	**171**	418	(23)	395

18 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2016 £000	2015 £000	**Liabilities 2016 £000**	2015 £000	**Net 2016 £000**	2015 £000
Tangible fixed assets	**110**	220	**-**	-	**110**	220
Share-based payments	**67**	169	**-**	-	**67**	169
Provisions	**95**	54	**-**	-	**95**	54
Net tax liabilities	**272**	443	**-**	-	**272**	443

Movement in deferred tax during the year

	1 April 2015 £000	**Recognised in income £000**	**Recognised in equity £000**	**Transferred from other group companies £000**	**31 March 2016 £000**
	443	(190)	(29)	48	**272**
	443	(190)	(29)	48	**272**

Movement in deferred tax during the prior year

	1 April 2014 £000	Recognised in income £000	31 March 2015 £000
	261	182	443
	261	182	443

The UK Government announced reductions in the UK corporation tax rate from 20% to 19% from 1 April 2017 and from 19% to 18% from 1 April 2020, which were substantively enacted on 26 October 2015.

The reduction in the balance sheet carrying value of deferred tax assets and liabilities to reflect the rate of tax at which those differences are expected to reverse has not had a material impact on the current year tax charge.

Notes *(continued)*

19 Retirement benefit schemes

The company's employees are eligible to participate in either the Mitie Group plc Pension Scheme (a defined benefit scheme), Mitie Group's defined contribution schemes or, for certain employees transferred under TUPE, the NHS Pension Scheme. The company pays contributions of 14.8% in respect of employees who are members of the Mitie Group plc Pension Scheme as part of the group arrangement the company does not account for the other income, expenses, gains, losses, assets and liabilities of the scheme; details of the scheme are set out in note 37 to the Mitie Group's financial statements. The company's contractual arrangements mean that it is not exposed to any deficit or surplus arising in the NHS Pension Scheme and as a result accounts for this as a defined contribution scheme. The total expense relating to defined contribution plans in the year was £1,981,000 (2015: £1,756,000).

20 Share based payments

The Mitie Group operates five equity-settled share option schemes, involving ordinary 2.5p shares in Mitie Group plc, which are open to employees of the Company. Full details of the schemes are given in the annual report of Mitie Group plc. The main terms of each scheme are as follows:

Discretionary schemes

Mitie Group plc long term incentive plan

Awards of shares or rights to acquire shares with an exercise price of nil and a vesting period of 3 - 5 years. Awards may be forfeited if the employee leaves the Group. Performance conditions must be satisfied which are based on movements in a range of market and non-market conditions.

Mitie Group plc executive share option scheme

The right to acquire shares at a predetermined price following a vesting period of three years. Options may be forfeit if the employee leaves the Group. Before options can be exercised, a performance condition, linked to growth in earnings per share, must be satisfied

Conditional share plan

Awards of shares or rights to acquire shares with an exercise price of nil and a vesting period of 1 - 2 years. Awards may be forfeited if the employee leaves the Group.

Non-discretionary schemes

Mitie Group plc SAYE scheme

The right to acquire shares at a predetermined price if the employee saves a regular amount over a three year period. Options must be exercised within six months of the date of vesting. Options may be forfeited if the employee leaves the Group.

Share incentive plan

Employees are invited to invest in Partnership shares which are purchase in the market on their behalf and held in a UK employee benefit trust. One Matching share is awarded for every ten Partnership shares purchased. Matching shares may be forfeited if the employee disposes of the Partnership shares within three years of purchase.

	2016	2015
Weighted average share price at date of exercise	**311p**	312p
Options outstanding prices	**191p to 319p**	191p to 319p
Weighted average remaining contractual life	**4.5 years**	4.8 years

The options outstanding at 31 March 2016 had exercise prices ranging from 191p to 319p (2015: 191p to 319p). During the year, options were granted in May, July and August 2015. In 2015, options were granted in May to September 2014.

Notes *(continued)*

21 Capital and reserves

Share capital authorised and fully paid	**2016**	2015
	£	£
100 Ordinary shares at £1 each	**100**	100

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.

Dividend

The following dividends were recognised during the period:

	2016	2015
	£000	£000
£36,315 (2015: £300,000) per qualifying ordinary share	**3,632**	30,000
	3,632	30,000

- **Other comprehensive income - Current year**

	Profit and loss account	**Total Other comprehensive income**
	£000	**£000**
Other comprehensive income	**-**	**-**
Remeasurements of defined benefit asset	**(3)**	**(3)**
Total other comprehensive income	**(3)**	**(3)**

- **Other comprehensive income - Comparative**

	Profit and loss account	Total other comprehensive income
	£000	£000
Other comprehensive income	-	-
Remeasurements of defined benefit liability	-	-
Total other comprehensive income	-	-

Notes *(continued)*

22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2016	2015
	£000	£000
Less than one year	**382**	677
Between one and five years	**808**	947
More than five years	**1,493**	1,503
	2,683	3,127

During the year, £818,000 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £893,000).

23 Commitments

Capital commitments

During the year ended 31 March 2016, the Company entered into a contract to purchase property, plant and equipment for £49,000 (2015: £93,000).

Commitments on behalf of group undertakings

The Company is party with other group undertakings to cross-guarantees of each others' bank overdrafts and loans.

	2016	2015
	£000	£000
Overall commitment	**281,823**	277,447

Notes *(continued)*

24 Acquisitions of businesses

Acquisitions in the current period

On 31 March 2016 the Company acquired the business of Mitie Transport Services Limited. This was by way of purchase of trade and assets including intangible assets. The business provides cleaning services to the transport sector. The business combination occurred to consolidate the number of Mitie Group subsidiaries.

If the acquisition had occurred on 1 April 2015, turnover would have been £36,077,000 and net profit before tax would have been £2,641,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 April 2015.

Effect of acquisition

The acquisition had the following effect on the Company's assets and liabilities.

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:	
Tangible fixed assets	**584**
Stocks	**334**
Trade and other debtors	**4,983**
Cash	**6,221**
Trade and other creditors	**(4,468)**
Deferred tax assets	**48**
Net identifiable assets and liabilities	**7,702**
Goodwill on acquisition	**213**
Total consideration	**7,915**

In the opinion of the directors, the fair value does not materially differ from the carrying value of the assets acquired.

Notes *(continued)*

25 Related parties

Related parties with which the Company has transacted

Under FRS 101 the company is exempt from disclosing key management personnel compensation and transactions with other companies wholly owned by Mitie Group plc. Other related party transactions are disclosed below:

	Sales to		Purchases from	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Subsidiaries	**26,133**	26,696	**11,251**	4,919
	26,133	26,696	**11,251**	4,919

	Receivables outstanding		Creditors outstanding	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Subsidiaries	**3,481**	4,341	**473**	397
	3,481	4,341	**473**	397

All inter- company balances are unsecured; trading balances are payable within 30 days unless both parties agree an extension, funding balances are repayable on demand.

The company is a participant in the Mitie Group plc Pension Scheme, a defined benefit scheme; the contributions payable under the scheme are apportioned to the company on the basis of the percentage of pensionable payroll determined, by the scheme actuaries, for the scheme as a whole. The contributions payable to the scheme were £537,000 (2015: £428,000): £40,000 of this amount was payable to the scheme at 31 March 2016 (2015: £37,000).

Notes *(continued)*

26 Explanation of transition to FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016, the comparative information presented in these financial statements for the year ended 31 March 2015 and in the preparation of an opening FRS 101 balance sheet at 1 April 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity

	1 April 2014			**31 March 2015**		
		Effect of transition			**Effect of transition**	
	UK GAAP	to FRS 101	FRS 101	**UK GAAP**	**to FRS 101**	**FRS 101**
	£000	£000	£000	**£000**	**£000**	**£000**
Fixed assets						
Goodwill	588	-	588	**370**	**218**	**588**
Intangible assets	75	-	75	**1**	-	**1**
Tangible fixed assets	8,997	-	8,997	**8,261**	-	**8,261**
	9,660	-	9,660	**8,632**	**218**	**8,850**
Current assets						
Stocks	1,276	-	1,276	**2,012**	-	**2,012**
Trade debtors	27,016	-	27,016	**19,803**	-	**19,803**
Amounts recoverable on contracts	7,101	(7,101)	-	**8,291**	**(8,291)**	-
Amounts owed by group undertakings	12,634	-	12,634	**17,047**	-	**17,047**
Mobilisation costs	7,126	-	7,126	**4,374**		**4,374**
Other debtors	3,445	-	3,445	**1,894**	-	**1,894**
Deferred tax asset	261	-	261	**443**	-	**443**
Prepayments and accrued income	4,257	7,101	11,358	**7,724**	**8,291**	**16,015**
Corporation tax	-	-	-	**486**	-	**486**
Cash at bank and in hand	25,059	-	25,059	**349**	-	**349**
	88,175	-	88,175	**62,423**	-	**62,423**
Creditors: amounts due within one year						
Obligations under finance leases	(361)	-	(361)	**(224)**	-	**(224)**
Trade creditors	(8,046)	-	(8,046)	**(8,949)**	-	**(8,949)**
Amounts owed to group undertakings	(20,612)	-	(20,612)	**(20,183)**	-	**(20,183)**
Corporation tax	(1,054)	-	(1,054)	-	-	-
Taxation and social security	(8,723)	-	(8,723)	**(13,398)**	-	**(13,398)**
Other creditors	(529)	-	(529)	**(514)**	-	**(514)**
Accruals and deferred income	(26,591)	-	(26,591)	**(21,016)**	-	**(21,016)**
	(65,916)	-	(65,916)	**(64,284)**	-	**(64,284)**

Notes (continued)

26 Explanation of transition to FRS 101 *(continued)*

	1 April 2014 UK GAAP	Effect of transition to FRS 101	FRS 101	**31 March 2015 UK GAAP**	**Effect of transition to FRS 101**	**FRS 101**
Net current assets/(liabilities)	22,259	-	22,259	**(1,861)**	**-**	**(1,861)**
Total assets less current liabilities	31,919	-	31,919	**6,771**	**218**	**6,989**
Creditors: amounts falling due after more than one year						
Finance leases	(161)	-	(161)	**(171)**	**-**	**(171)**
Net assets	31,758	-	31,758	**6,600**	**218**	**6,818**
Capital and reserves						
Profit and loss account	31,758	-	31,758	**6,600**	**218**	**6,818**
Shareholders' equity	31,758	-	31,758	**6,600**	**218**	**6,818**

Notes (continued)

26 Explanation of transition to FRS 101 *(continued)*

Reconciliation of profit for 2015

	UK GAAP £000	2015 Effect of transition to FRS 101 £000	FRS 101 £000
Turnover	331,008	-	331,008
Cost of sales	(297,394)	-	(297,394)
Gross profit	33,614	-	33,614
Administrative expenses	(28,141)	218	(27,923)
Operating profit	5,473	218	5,691
Other interest receivable and similar income	371	-	371
Interest payable and similar charges	(421)	-	(421)
Profit on ordinary activities before taxation	5,423	218	5,641
Taxation	(1,163)	-	(1,163)
Tax on profit on ordinary activities	(1,163)	-	(1,163)
Profit for the year	4,260	218	4,478

IFRS requires goodwill to be impairment tested at least annually and consequently does not require systematic amortisation. The company has taken advantage of the transitional arrangement of IFRS 3, which allow goodwill to be held at its amortised cost at 31 March 2014, hence the amortisation charged in the year to 31 March 2015, under previous UK GAAP has been reversed in the above adjustments.

27 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Mitie Cleaning Services Limited which is the immediate parent company. The ultimate controlling party is Mitie Group plc, a company incorporated in Scotland. 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 1 Harlequin Office Park, Fieldfare, Emersons Green, Bristol, South Gloucestershire, BS16 7FN, UK or from www.mitie.com.