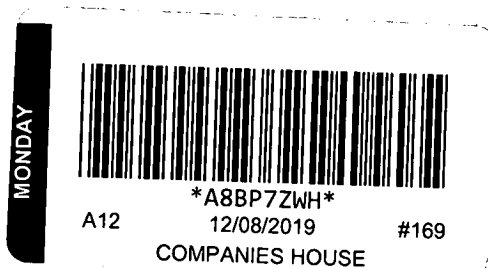


Mitie Shared Services Limited

Annual Report and Financial Statements

Registered number 01597821

31 March 2019



Contents

Company information	1
Strategic report	2
Directors' report	4
Statement of Directors' responsibilities in respect of the annual report and the financial statements	6
Independent auditor's report to the members of Mitie Shared Services Limited	7
Profit and loss account	9
Statement of comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Notes	13

Company information

Directors

M Idle
P J G Dickinson

Secretary

Mitie Company Secretarial Services Limited

Registered office

Level 12
The Shard
32 London Bridge Street, London, England
SE1 9SG
United Kingdom

Auditor

BDO LLP
Statutory Auditor
55 Baker Street
W1U 7EU

Strategic report

Mitie Shared 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 is to provide back office support services to companies within the Mitie Group, including managing and recharging property overheads and fleet costs, and providing services such as accounts payable, employee services and information systems. The Company centralised all IT and HR costs from across the group in the current year resulting in an increase in turnover and in costs.

As shown in the Company's profit and loss account on page 9, the Company's turnover was £78,506,000 (2018: £49,569,000) and the loss after tax was £11,321,000 (2018: £28,981,000).

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 light of the Group Risk Framework. The Directors do not believe there to be any significant risks other than those detailed below.

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. We are closely monitoring the outcomes of the European Union exit negotiations and any resulting policy changes to determine the impact on future contract opportunities and availability of resources.

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.

Strategic report (continued)

Operational Risks

Significant health, safety or environmental incidents

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

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 underpin the mitigation activity for this risk. These reviews are carried out alongside regular, formal, documented testing of business critical systems.

Attracting and retaining skilled people

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

Financial risk management

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

Appropriate trade terms are negotiated with suppliers and customers. Management review 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.

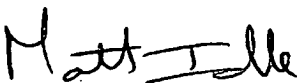
Future developments

The Directors expect the general level of activity to remain consistent in the forthcoming year. The Company expect to derive value from the investments it has made in its HR, IT and Procurement functions on behalf of the Group, and gain efficiencies in its operations.

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 Idle
Director

19 July 2019

Directors' report

The Directors present the Annual Report and audited Financial Statements of Mitie Shared Services Limited ('the Company') for the year ended 31 March 2019.

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 participates in the Group's centralised treasury arrangements and so shares banking arrangements with its ultimate parent and fellow subsidiaries.

The Company has net current liabilities and it therefore reliant on the support of its immediate and ultimate parent companies in order to meet its liabilities as they fall due. A letter of support has been received from the ultimate parent Company and the Directors have satisfied themselves that the ultimate parent Company is able to provide the support.

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.

As stated in the strategic report on page 2, the Directors have reviewed the financial risk management objectives and policies of the Company in the light of the Group Risk Framework. The Directors do not believe there to be any significant risk.

Directors

The Directors who held office during the year were:

Director	Date of appointment	Date of resignation
M Idle	18/01/2019	
P J G Dickinson		
R J Blumberger		18/01/2019

Dividends

No dividend was declared or paid in the year (2018: no dividend).

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 road shows, 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

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

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that ought to have been taken as a Director to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

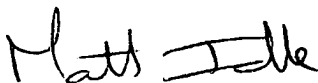
Other information

An indication of likely future developments in the business, discussion of financial risk management, and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

Auditor

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

By order of the Board



M Idle
Director

Level 12
The Shard
32 London Bridge Street
SE1 9SG

19 July 2019

Statement of Directors' responsibilities in respect of the annual report and 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.

Independent auditor's report to members of Mitie Shared Services Limited

Opinion

We have audited the financial statements of Mitie Shared Services Limited ("the Company") for the year ended 31 March 2019 which comprise the Profit and loss account, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic report and Directors' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Independent auditor's report to the members of Mitie Shared Services Limited (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the 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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

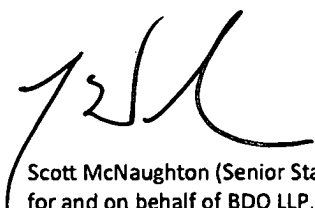
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Use of our report

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



Scott McNaughton (Senior Statutory Auditor)
for and on behalf of BDO LLP, statutory auditor
London, UK
19 July 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Profit and loss account

	<i>Note</i>	2019 £000	2018 ¹ £000
Turnover	2	78,506	49,569
Cost of sales		(78,590)	(68,880)
Gross loss		(84)	(19,311)
Administrative expenses		124	(390)
Foreign exchange loss		(8)	(102)
Exceptional administrative costs	4	(7,398)	(12,439)
Operating profit/(loss)	3	(7,366)	(32,241)
Interest payable and similar expenses	7	(3,915)	(3,651)
Loss before taxation		(11,281)	(35,892)
Tax on loss	8	(40)	6,911
Loss for the financial year		(11,321)	(28,981)

Note:

1. The Company has applied IFRS 9 starting 1 April 2018 using the transition option available in the standard by disclosing the impact as an adjustment to retained earnings at the date of initial application. Under this option, the comparative information is not restated. See note 1.

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

The notes on pages 13 to 29 form an integral part of these financial statements.

Statement of comprehensive income

	Note	2019 £000	2018 ¹ £000
Loss for the year		<u>(11,321)</u>	<u>(28,981)</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit liability/asset		-	10,720
Income tax on items that are or may be reclassified subsequently to profit or loss	8	<u>-</u>	<u>(1,813)</u>
Other comprehensive income for the year, net of income tax		<u>-</u>	<u>8,907</u>
Total comprehensive expense for the year		<u><u>(11,321)</u></u>	<u><u>(20,074)</u></u>

Note:

1. The Company has applied IFRS 9 starting 1 April 2018 using the transition option available in the standard by disclosing the impact as an adjustment to retained earnings at the date of initial application. Under this option, the comparative information is not restated. See note 1.

The notes on pages 13 to 29 form an integral part of these financial statements.

Balance sheet

	<i>Note</i>	2019 £000	2018¹ £000
Non-current assets			
<i>Intangible assets</i>			
Other intangibles	9	27,610	19,050
Tangible assets	10	12,004	13,801
Deferred tax asset	13	819	1,520
		<u>40,433</u>	<u>34,371</u>
Current assets			
Debtors	11	14,333	20,441
		<u>14,333</u>	<u>20,441</u>
Creditors: amounts falling due within one year	12	(100,882)	(89,560)
Net current liabilities		<u>(86,549)</u>	<u>(69,119)</u>
Total assets less current liabilities		<u>(46,116)</u>	<u>(34,748)</u>
Provisions for liabilities	14	(415)	(316)
Net liabilities		<u>(46,531)</u>	<u>(35,064)</u>
Capital and reserves			
Called up share capital	16	-	-
Other reserves	16	-	35
Profit and loss account	16	(46,531)	(35,099)
Shareholders' deficit		<u>(46,531)</u>	<u>(35,064)</u>

Note:

1. The Company has applied IFRS 9 starting 1 April 2018 using the transition option available in the standard by disclosing the impact as an adjustment to retained earnings at the date of initial application. Under this option, the comparative information is not restated. See note 1.

The notes on pages 13 to 29 form an integral part of these financial statements.

The financial statements of Mitie Shared Services Limited, company number 01597821, were approved by the Board of Directors and authorised for issue on 19 July 2019 and were signed on its behalf by:



M Idle
Director

Statement of changes in equity

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2017	-	35	(66,786)	(66,751)
Total comprehensive income				
Loss for the Year	-	-	(28,981)	(28,981)
Other comprehensive income	-	-	8,907	8,907
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	-	(20,074)	(20,074)
	<hr/>	<hr/>	<hr/>	<hr/>
Share-based payments	-	-	205	205
Equity-settled share based payment transaction	-	-	(1)	(1)
Capital contribution	-	-	51,557	51,557
	<hr/>	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	-	51,761	51,761
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2018	-	35	(35,099)	(35,064)
	<hr/>	<hr/>	<hr/>	<hr/>

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2018	-	35	(35,099)	(35,064)
Impact of change in accounting policy ¹	-	-	(3)	(3)
	<hr/>	<hr/>	<hr/>	<hr/>
Adjusted balance at 1 April 2018	-	35	(35,102)	(35,067)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income				
Loss for the Year	-	-	(11,321)	(11,321)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	-	(11,321)	(11,321)
	<hr/>	<hr/>	<hr/>	<hr/>
Other reserves	-	(35)	-	(35)
Share-based payments	-	-	(108)	(108)
	<hr/>	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	(35)	(108)	(143)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2019	-	-	(46,531)	(46,531)
	<hr/>	<hr/>	<hr/>	<hr/>

Note:

1. The Company has applied IFRS 9 starting 1 April 2018 using the transition option available in the standard by disclosing the impact as an adjustment to retained earnings at the date of initial application. Under this option, the comparative information is not restated.

The notes on pages 13 to 29 form an integral part of these financial statements.

Notes

1 Accounting policies, judgements and estimates

a) General information

Mitie Shared Services Limited (the "Company") is a private company limited by shares and is incorporated in England and Wales and domiciled in the UK. The Company's registered number is 01597821. The Company's registered office is Level 12, The Shard, 32 London Bridge Street, SE1 9SG. Details of the Company's activities are set out in the Strategic Report.

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.

b) Statement of compliance with FRS101

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

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

c) Basis of preparation

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;
- Disclosure in respect of related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

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

- 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;

With the exception of IFRS 9 which is discussed below, there are no new and mandatorily effective standards in the year that would have a material impact on the financial statements.

Notes *(continued)*

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

c) Basis of preparation *(continued)*

IFRS 9 'Financial instruments' became effective for the Company starting 1 April 2018 and replaces the requirements of IAS 39 'Financial instruments: recognition and measurement'. The main changes introduced by the new standard are new classification and measurement requirements for certain financial assets, a new Expected Credit Loss (ECL) model for the impairment of financial assets, revisions to the hedge accounting model, and amendments to disclosures. The Company elected, from 1 April 2018, to continue to apply the hedge accounting guidance in IAS 39 'Financial instruments: recognition and measurement'.

With respect to loss allowances for trade receivables, IFRS 9 replaces the 'incurred loss' model in IAS 39 with an ECL model. The Company, from 1 April 2018, measures loss allowances for trade receivables and accrued income at an amount equal to lifetime expected credit losses using both quantitative and qualitative information and analysis based on the Company's historical experience, and forward-looking information. The Company has determined that the transition to IFRS 9 results in an additional loss allowance for trade receivables and accrued income as at 1 April 2018 of £4,000 and gives rise to a current tax credit of £1,000. The additional loss allowance has been applied as an adjustment to opening retained earnings at 1 April 2018 and therefore, the prior period comparative information is not restated.

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 below.

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

Going concern

The Directors, having assessed the responses of the Directors of the Company's ultimate parent Mitie Group plc, along with the future prospects of the Group.

The Company has net current liabilities of £86,549,000 (2018: £69,119,000) and is therefore reliant on the support of its immediate and ultimate parent companies in order to meet its liabilities as they fall due. A letter of support has been received from the ultimate parent company and the Directors have satisfied themselves that the ultimate parent company is able to provide the support. On the basis of their assessment, they continue to prepare the financial statements on a going concern basis.

Measurement convention

The financial statements are prepared on the historical cost basis.

d) Significant accounting policies

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, judgements and estimates (continued)

d) Significant accounting policies (continued)

Financial instruments

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

Financial assets comprise trade and other receivables and cash and cash equivalents that are measured at initial recognition at fair value and subsequently at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised including 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.

The assessment of impairment of trade receivables and accrued income from 1 April 2018 is in accordance with IFRS 9. All of the Company's cash flows from customers are solely payments of principal and interest, and do not contain a significant financing component. Financial assets generated from all of the Company's revenue streams are therefore initially measured at their transaction price (as defined in IFRS 15) and are subsequently remeasured at amortised cost. Under IFRS 9, the Company will now recognise a loss allowance for expected credit losses (ECL) on all receivable balances from customers subsequently measured at amortised cost, using the 'simplified approach'.

Accrued income is considered to be within a 'held-to-collect' business model, consistent with the Company's continuing recognition of trade receivables. There is no difference between the Company's calculation and treatment of loss allowances applied to receivables held within either a held-to-collect business model or held for collection and sale business model.

Financial liabilities comprise trade payables, financing liabilities, bank and other borrowings, and deferred contingent consideration. These are measured at initial recognition at fair value and subsequently at amortised cost with the exception of derivative financial instruments which are measured at fair value, and deferred contingent consideration which is measured at the Directors' best estimate of the likely future obligation. Bank and other borrowings are stated at the amount of the net proceeds after deduction of transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement.

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, judgements and estimates (continued)

d) Significant accounting policies (continued)

Intangible assets

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. Intangibles are amortised over their estimated economic life of between 5 and 10 years.

Tangible assets

Tangible 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 property: 50 years
- Leasehold improvements: Shorter of the estimated year of the asset or the lease term
- Plant and vehicles: 4 - 5 years

Impairment of non-current assets

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).

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes (continued)

1 Accounting policies, judgements and estimates (continued)

d) Significant accounting policies (continued)

Employee benefits

Retirement benefit costs

The Company participates in a number of 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. 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.

For the defined benefit pension schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses on obligations, the return on scheme assets (excluding interest) and the effect of the asset ceiling (if applicable) are recognised in full in the period in which they occur. They are recognised in the statement of comprehensive income. Current service cost and past service cost (including curtailments) are recognised in the income statement, in either administrative expenses or other items, whilst the net interest cost is recognised in net finance costs. The retirement benefit liability recognised in the balance sheet represents the present value of the defined benefit obligation, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Current service cost and past service cost are recognised in profit and loss, in administrative expenses, whilst the net interest cost is recognised in net finance costs.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Provisions for liabilities

Provisions for liabilities are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some, or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

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 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.

Notes (continued)

1 Accounting policies, judgements and estimates (continued)

d) Significant accounting policies (continued)

Share-based payments

The Company participates in a number of Mitie Group plc executive and employee share option schemes. For grants of share options and awards, 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 eventually vest. Further details of the Group's share option schemes are contained in the Mitie Group plc annual report.

Save As You Earn (SAYE) options are treated as cancelled when employees cease to contribute to the scheme, resulting in an acceleration of the remainder of the related expense.

Turnover

Turnover represents income recognised in respect of services provided during the period (stated net of sales taxes) and is earned within the United Kingdom. Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover 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.

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 when the Company intends to settle its current tax assets and liabilities on a net basis.

Notes (continued)

e) Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgements in applying the Company's accounting policies:

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

Profit before other items

'Other items' are items of financial performance which the Company believes should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Company. Determining whether an item is part of other items or not requires judgement.

Recoverability of amounts owed by Group undertakings

The Company has material amounts owed by Group undertakings outstanding at year end. The judgement as to whether an amount has become irrecoverable is an assessment made by the Directors in the determination of the expected total credit loss recognised under IFRS 9. This assessment takes into consideration Group solvency and access to Group funding by the debtor. The Directors consider the full amount owed to be recoverable under IFRS 9.

Key sources of estimation uncertainty are as follows:

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below.

Measurement and impairment of 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. The value in use calculation involves an estimation of the future cash flows and the selection of appropriate discount rates to use in order to calculate present values.

The carrying value of intangible assets is £27,610,000 (2018: £19,050,000) at the balance sheet date; see note 9.

A sensitivity analysis has been performed and management have concluded that no reasonably foreseeable change in the key assumptions would result in an impairment.

2 Turnover

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

3 Expenses and auditor's remuneration

Included in loss are the following:

	2019	2018
	£000	£000
Loss/(gain) on disposal of tangible/intangible fixed assets	947	(247)
Impairment loss intangible fixed assets	431	7,989
	<hr/>	<hr/>

Auditor's remuneration:

	2019	2018
	£000	£000
Audit of these financial statements	-	10
Audit fees borne by Mitie Group Plc and not recharged	10	-
	<hr/>	<hr/>

Notes *(continued)*

4 Exceptional administrative costs

	2019	2018
	£000	£000
One-off property related costs	81	5,786
Curtailment costs and redundancy payouts	7,317	6,653
	<u>7,398</u>	<u>12,439</u>

One-off property related costs

As part of the rationalisation of the Company's property portfolio a review of the potential liabilities for leasehold property dilapidation costs has been carried out. In addition, costs in respect of lease termination and asset impairments crystallised following decisions to vacate certain of the Group's properties as part of the overall Project Helix transformation are treated as one off exceptional items.

Restructure costs

The restructure costs relate to costs of organisational change associated with the Group's Project Helix transformation programme including the transition costs associated with the outsourcing of certain back-office transactional processes.

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	
	2019	2018
Operations	465	337
	<u>465</u>	<u>337</u>

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	12,634	12,735
Share based payments (See note 15)	(124)	(27)
Social security costs	2,506	1,349
Termination and redundancy payments	24	92
Pension costs	1,465	965
	<u>16,505</u>	<u>15,114</u>

Notes (continued)

6 Directors' remuneration

The following Directors were also Directors or employees of another Group company during the year. 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	Disclosed by
M Idle	Mitie Ltd	Mitie Group Plc
P J G Dickinson	Mitie Ltd	Mitie Group Plc
R J Blumberger	Mitie Ltd	Mitie Group Plc

7 Interest payable and similar expenses

	2019 £000	2018 £000
Interest payable to Group undertakings	3,824	2,612
Net pension scheme interest	-	1,039
Unwind of discount on provisions	91	-
Total other interest payable and similar expenses	3,915	3,651

8 Taxation

	2019 £000	2018 £000
<i>Analysis of charge in the year</i>		
Current tax on income for the period	(933)	(3,499)
Adjustments in respect of prior periods	272	(2,831)
Total current tax	(661)	(6,330)
<i>Deferred tax (see note 13)</i>		
Origination and reversal of temporary timing differences	349	(3,326)
Reduction in statutory tax rate	(37)	351
Adjustments in respect of prior periods	389	2,394
Total deferred tax	701	(581)
Tax on loss	40	(6,911)

Notes *(continued)*

8 Taxation *(continued)*

	2019	2018
	£000	£000
<i>Tax recognised directly in other comprehensive income</i>		
Current tax	-	(3)
Deferred tax	-	1,816
	<u>-</u>	<u>1,813</u>
Total tax recognised directly in other comprehensive income	<u>-</u>	<u>1,813</u>
	2019	2018
	£000	£000
<i>Reconciliation of effective tax rate</i>		
Loss for the year	(11,321)	(28,981)
Total tax expense/(income)	40	(6,911)
	<u>(11,281)</u>	<u>(35,892)</u>
Loss excluding taxation	(11,281)	(35,892)
Tax using the UK corporation tax rate of 19% (2018: 19%)	(2,143)	(6,819)
Reduction in statutory tax rate on deferred tax balances	(37)	350
Expenses not deductible for tax purposes	1,330	140
Relief in respect of employee share options	229	(145)
Adjustments in respect of prior periods	661	(437)
	<u>40</u>	<u>(6,911)</u>
Total tax expense/(income)	<u>40</u>	<u>(6,911)</u>

The main rate of corporation tax will reduce from 19% to 17% from 1 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)

9 Intangible assets

	Software	Assets under construction	Total
Cost	£000	£000	£000
At 1 April 2018	65,650	2,461	68,111
Additions	3,812	2,385	6,197
Transfers from other Group companies	6,703	4,386	11,089
Disposals	(20,570)	-	(20,570)
At 31 March 2019	55,595	9,232	64,827
Amortisation			
At 1 April 2018	49,061	-	49,061
Charge for the year	5,654	-	5,654
Impairment of software and development expenditure	431	-	431
Transfers from other Group companies	2,569	-	2,569
Disposals	(20,498)	-	(20,498)
At 31 March 2019	37,217	-	37,217
Net book value			
At 1 April 2018	16,589	2,461	19,050
At 31 March 2019	18,378	9,232	27,610

Intangibles are amortised over their estimated economic life of between 5 and 10 years.

Notes (continued)

10 Tangible fixed assets

	Leasehold property £000	Plant & vehicles £000	Under construction £000	Total £000
Cost				
Balance at 1 April 2018	19,623	16,200	-	35,823
Additions	2,285	2,270	142	4,697
Disposals	(3,934)	(2,361)	-	(6,295)
Reclassifications within property, plant and equipment	(4,474)	4,474	-	-
Balance at 31 March 2019	13,500	20,583	142	34,225
Depreciation and Impairment				
Balance at 1 April 2018	10,144	11,878	-	22,022
Depreciation charge for the year	1,270	3,392	-	4,662
Disposals	(2,605)	(1,858)	-	(4,463)
Reclassifications within property, plant and equipment	(2,193)	2,193	-	-
Balance at 31 March 2019	6,616	15,605	-	22,221
Net book value				
At 1 April 2018	9,479	4,322	-	13,801
At 31 March 2019	6,884	4,978	142	12,004

11 Debtors

	2019 £000	2018 ¹ £000
Trade debtors	1,268	2,883
Amounts owed by Group undertakings	735	5,587
Other debtors	2,752	4,090
Corporation tax	4,143	5,442
Prepayments	5,435	2,439
	14,333	20,441

Notes:

1. The Group has applied IFRS 9 using the cumulative effect method. Under this method, the comparative information is not restated. See Note 1.

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

Amounts owed by Group undertakings are repayable on demand.

Centralisation of costs has resulted in higher prepayments on various contracts that now sit with the Company.

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Bank loans and overdrafts	16,213	24,331
Trade creditors	7,772	2,783
Amounts owed to Group undertakings	58,674	43,600
Taxation and social security	367	363
Other creditors	1,845	2,339
Accruals	15,930	16,063
Deferred income	81	81
	100,882	89,560

Included within amounts owed to Group undertakings above, is £55,000,000 (2018: £40,000,000) relating to a loan bearing interest at 5% per annum (2018: 5% per annum).

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

Amounts due to Group undertakings are repayable on demand.

Centralisation of costs has resulted in higher creditors in the accounts.

Notes (continued)

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets	
	2019	2018
	£000	£000
Tangible fixed assets	803	1,367
Share-based payments	10	152
Provisions	6	1
	<hr/>	<hr/>
Net tax assets	819	1,520
	<hr/>	<hr/>

Movement in deferred tax during the year

	1 April 2018	Recognised in income	Recognised in equity	Included in disposal group	31 March 2019
	£000	£000	£000	£000	£000
Tangible fixed assets	1,367	(564)	-	-	803
Share-based payments	152	(142)	-	-	10
Provisions	1	5	-	-	6
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,520	(701)	-	-	819
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Movement in deferred tax during the prior year

	1 April 2017	Recognised in income	Recognised in equity	Transfer of pension scheme	31 March 2018
	£000	£000	£000	£000	£000
Tangible fixed assets	13,311	90	-	(12,034)	1,367
Share-based payments	-	120	6	26	152
Provisions	-	372	1,823	1,452	1
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	13,311	582	(1,817)	(10,556)	1,520
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The UK Government announced a reduction in the UK corporation tax rate from 19% to 17% from 1 April 2020, which has been substantively enacted.

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)

14 Provisions

	Insurance excess provision £000	Dilapidation provision £000	Total £000
Balance at 1 April 2018	1	315	316
Provisions made during the year	-	8	8
Unwinding of discounted amount	-	91	91
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2019	1	414	415
	<hr/>	<hr/>	<hr/>

The insurance reserve provided for the self-insured element of Fleet and Liability claims that will typically settle over 3 - 5 years. This includes a provision for claims that are expected but have not yet been reported.

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

15 Share based payments

The Mitie Group operates six 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 (2001 and 2011)

The right to acquire shares at a predetermined price following a vesting period of three years. Options may be forfeited 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 purchased 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.

Notes (continued)

15 Share based payments (continued)

	2019	2018
Weighted average share price at date of exercise	N/A	268p
Options outstanding prices	137p to 254p	212p to 316p
Weighted average remaining contractual life	3.47 years	4.00 years

The options outstanding at 31 March 2019 had exercise prices ranging from 137p to 254p (2018: 212p to 316p). During the year, options were granted in August, September and December 2018. In the prior year, options were granted in July, August, October, November 2017 and January 2018.

16 Capital and reserves

Share capital authorised and fully paid	At start of year	At end of year	2019 £000	2018 £000
Ordinary Shares				
Ordinary shares at £1 each	300	300	-	-
	<u>300</u>	<u>300</u>	<u>-</u>	<u>-</u>

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

Other reserves

Other reserves relate to revaluation of leasehold properties.

Share premium account

The share premium account represents the premium arising on the issue of equity shares.

Profit and loss account

The profit and loss account comprises the retained earnings and losses of the Company, less amounts distributed to the Company's shareholder.

17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2019 £000	2018 £000
Less than one year	23,938	19,268
Between two and five years	38,412	28,003
More than five years	5,032	-
	<u>67,382</u>	<u>47,271</u>

During the year, £24,530,000 was recognised as an expense in the profit and loss account in respect of operating leases (2018: £20,833,000).

Notes *(continued)*

18 Commitments

Commitments on behalf of Group undertakings

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

	2019	2018
	£000	£000
Overall commitment	<u>264,051</u>	<u>258,106</u>

19 Subsequent events

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

20 Ultimate parent company and parent company of larger group

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