Mitie Shared Services Limited

Annual Report and Financial Statements

Registered number 01597821

31 March 2018

Contents

Company information

Directors

R J Blumberger
P J G Dickinson

Company Secretary

Mitie Company Secretarial Services Limited

Registered office

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

Auditor

BDO LLP
Statutory Auditor
55 Baker Street
London
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.

As shown in the Company's Profit and loss account on page 9, the Company's revenue was £49,569,000 (2017: £54,131,000) and the loss after tax was £28,981,000 (2017: £14,914,000).

During the year the Company received a capital contribution of £51,557,000 in relation to the transfer of the Mitie Group plc defined benefit pension scheme to another Group company as part of a flexible apportionment agreement.

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 Company's properties as part of the overall Project Helix transformation.
In addition the restructuring costs incurred relate to costs of organisational change associated with the Company's Project Helix transformation programme including the transition costs associated with the outsourcing of certain back-office transactional processes.

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 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 manage 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

Following restructuring programme and headcount reduction, the Directors expect the level of activity and recharges to stabilise in the forthcoming year.

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:

R J Blumberger
Director

25 July 2018

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 2018.

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 Company has net current liabilities and net liabilities 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.

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 were:

Director	Date of appointment	Date of resignation
R J Blumberger	19/04/2017	
P J G Dickinson	19/04/2017	
M A Freeman		19/04/2017
J S Sheridan		06/10/2017

Dividends
No dividend was declared or paid in the year (2017: 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

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 ought to have taken as a Director to make himself 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, 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
BDO LLP served as auditor for the 31 March 2018 financial year, Pursuant to Section 487 of the Companies Act 2006, BDO LLP will be deemed to be reappointed as the auditor.

By order of the Board

R J Blumberger
Director

Level 12 The Shard
32 London Bridge Street
London
SE1 9SG
25 July 2018

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 2018 which comprise the Profit and loss account, the Statement of comprehensive income, the Balance sheet, the Statement of changes in shareholders' deficit and notes to the financial statements 1 to 24, 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 2018 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 annual 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.

BDO LLP

Scott McNaughton (Senior Statutory Auditor)
for and on behalf of BDO LLP, statutory auditor
London
25 July 2018

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

Profit and loss account

	Note	2018 £000	2017 £000
Turnover	3	**49,569**	54,131
Cost of sales		**(68,880)**	(65,907)
Gross loss		**(19,311)**	(11,776)
Administrative expenses		**(390)**	(2,198)
Exceptional administrative costs	6	**(12,439)**	-
Total Administrative costs		**(12,829)**	*(2,198)*
Other operating expenses		**(102)**	(4)
Operating loss	5	**(32,241)**	(13,978)
Interest payable and similar expenses	9	**(3,651)**	(3,322)
Loss before taxation		**(35,892)**	(17,300)
Tax on loss	10	**6,911**	2,386
Loss for the financial year		**(28,981)**	(14,914)

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

Statement of comprehensive income

	Note	2018 £000	2017 £000
Loss for the year		**(28,981)**	(14,914)
Other comprehensive income/(expense)			
Items that will not be reclassified to loss:			
Remeasurement of defined benefit liability	*17*	**10,720**	(32,969)
Income tax on items that will not be reclassified to loss	*10*	**(1,813)**	5,064
Other comprehensive income/(expense) for the year, net of income tax	*19*	**8,907**	(27,905)
Total comprehensive expense for the year		**(20,074)**	(42,819)

Balance sheet

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets			
Other intangibles	11	**19,050**	27,407
Tangible assets	12	**13,801**	10,826
		32,851	38,233
Current assets			
Debtors (including £20,441,000 due after more than one year (2017: £13,314,000)	13	**21,961**	24,153
Cash at bank and in hand		**-**	256
		21,961	24,409
Creditors: amounts falling due within one year	14	**(89,560)**	(58,732)
Net current liabilities		**(67,599)**	(34,323)
Total assets less current liabilities		**(34,748)**	3,910
Other provisions	16	**(316)**	(3)
Pension liability	17	**-**	(70,658)
Provisions for liabilities		**(316)**	(70,661)
Net liabilities		**(35,064)**	(66,751)
Capital and reserves			
Called up share capital	19	**-**	-
Other reserves	19	**35**	35
Profit and loss account	19	**(35,099)**	(66,786)
Shareholders' deficit		**(35,064)**	(66,751)

The financial statements of Mitie Shared Services Limited, company number 01597821, were approved by the Board of Directors and authorised for issue on 25 July 2018 and were signed on its behalf by:

R J Blumberger
Director

Statement of changes in equity

	Called up Share capital £000	Other reserves £000	Profit and loss account £000	Shareholders' deficit £000
Balance at 1 April 2016	-	35	(24,122)	(24,087)
Loss for the year	-	-	(14,914)	(14,914)
Other comprehensive expense	-	-	(27,905)	(27,905)
Total comprehensive income for the year	-	-	(42,819)	(42,819)
Transactions with owners, recorded directly in equity				
Equity-settled share based payment transactions	-	-	168	168
Long term incentive plan dividend equivalents	-	-	(13)	(13)
Total contributions by and distributions to owners	-	-	155	155
Balance at 31 March 2017	-	35	(66,786)	(66,751)

	Called up share capital £000	**Other reserves £000**	**Profit and loss account £000**	**Shareholders' deficit £000**
Balance at 1 April 2017	-	35	(66,786)	(66,751)
Total comprehensive expense for the year				
Loss for the year	-	-	(28,981)	(28,981)
Other comprehensive income			8,907	8,907
Total comprehensive expense	-	-	(20,074)	(20,074)
Transactions with owners, recorded directly in equity				
Equity-settled share based payment transactions	-	-	205	205
Long term incentive plan dividend equivalents	-	-	(1)	(1)
Capital contribution[1]	-	-	51,557	51,557
Total contributions by and distributions to owners	-	-	51,761	51,761
Balance at 31 March 2018	**-**	**35**	**(35,099)**	**(35,064)**

[1]The Company received a capital contribution of £51,557,000 in relation to the transfer of the Mitie Group plc defined benefit pension scheme as part of a flexible apportionment agreement.

Notes

1 Accounting policies

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

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.

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.
- Disclosures in repect of related party transactions with wholly owned subsidiaries.

Early adoption of IFRS 15

The Company decided to early adopt IFRS 15 *Revenue from Contracts with Customers,* with a date of initial application of 1 April 2017. The adoption of IFRS 15 had no material impact on the Company.

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 IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures.*

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.

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

Notes *(continued)*

1 Accounting policies *(continued)*

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.

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 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 uncollectible 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.

The company uses a non-recourse customer invoice discounting facility under which certain trade receivablea are sold to the Company's relationship banks. The trade receivables rae sold without recourse to the Company, and therefore the trade receivable balance is derecognised.

Financial liabilities comprise trade payables, financing liabilities, including bank and other borrowings. 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)*

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.

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:

- Freehold buildings and long leasehold property: 50 years
- Leasehold improvements: period of the lease
- Plant and vehicles: 4 - 5 years

Impirment of non-current assets

Annually the Company reviews the carrying amounts of its non-current 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.

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 *(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.

The Company also participates in a number of 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.

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.
Onerous contract provisions (OCPs) arise when the unavoidable costs of meeting contractual obligations exceed the remuneration expected to be received. Unavoidable costs include total contract costs together with a rational allocation of shared costs that be directly linked to fulfilling contractual obligations which have been systematically allocated to OCPs on the basis of key cost drivers except where this is impracticable, where contract revenue is used as a proxy to activity. The provision is calculated as the lower of the termination costs payable for an early exit and the expected net cost to fulfil the Company's unavoidable contract obligations. Where a customer has an option to extend a contract and it is likely that such an extension will be made, the expected net cost arising during the extension period is included in the calculation. However, where a profit can be reasonably expected in the extension period, no credit is take on the basis that such profits are uncertain given the potential for the customer to either not extend or offer and extension under lower pricing terms.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

Leasing

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 credit 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)*

1 Accounting policies *(continued)*

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. The adoption of the changes set out below have not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses.*
- Amendments to IAS 7 *Disclosure Initiative.*
- Amendments to IFRS included in the *Annual Improvements to IFRS Standards 2014-2016 Cycle.*

New standards not yet adopted

The Company has taken the exemption available under FRS101 in respect of not disclosing the impact of new standards that are not yet in effect including the following:

Notes *(continued)*

2 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 above, management has made the following judgements that have the most significant 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.

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 £19,050,000 (2017: £27,407,00) at the balance sheet date; see note 11.

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

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. During the year to 31 March 2018, the Company received a capital contribution of £51,557,000 in relation to the transfer of the Mitie Group plc defined benefit pension scheme as part of a flexible apportionment agreement. The present value of defined benefit obligation at the balance sheet date is £nil. (2017: £70,658,000); see Note 17 for further detail and a sensitivity analysis.

3 Turnover

	2018	2017
	£000	£000
By geographical market		
United Kingdom	**49,569**	54,131
	49,569	54,131

Notes *(continued)*

4 Other operating expense

	2018 £000	2017 £000
Foreign exchange loss	**102**	4

5 Expenses and auditor's remuneration

Included in operating loss are the following:

	2018 £000	2017 £000
Impairment loss on intangible fixed assets	**7,989**	1,353
Gain on disposal of tangible fixed assets	**(247)**	(935)

Auditor's remuneration:

	2018 £000	2017 £000
Audit of these financial statements	**10**	10

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.

6 Exceptional administrative costs

	2018 £000	2017 £000
One-off property related costs	**5,786**	-
Restructuring costs	**6,874**	-
Reclass provision for curtailment costs	**(221)**	-
	12,439	-

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. I addition, costs in respect of lease termination, and asset impairments crystalised following decisions vacate certain of the Group's properties as part of the overall Project Helix transformation.

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.

Notes *(continued)*

7 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	
	2018	2017
Operations	**337**	469
	337	469

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Wages and salaries	**12,735**	13,824
Share based payments (See note 18)	**(27)**	168
Social security costs	**1,349**	1,289
Termination and redundancy payments	**92**	37
Pension costs	**965**	(1,203)
	15,114	14,115

8 Directors' remuneration

All Directors are also Directors or employees 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**	**Disclosed by**
R J Blumberger	Mitie Group plc	Mitie Ltd
P J G Dickinson	Mitie Group plc	Mitie Ltd
M A Freeman	Mitie Ltd	Mitie Ltd
J S Sheridan	Mitie Ltd	Mitie Ltd

Notes *(continued)*

9 Interest payable and similar expenses

	2018 £000	2017 £000
Interest payable to Group undertakings	**2,612**	1,969
Net pension scheme interest	**1,039**	1,353
Total other interest payable and similar expenses	**3,651**	3,322

10 Taxation

Analysis of credit in the year	2018 £000	2017 £000
Current tax on income for the period	**(3,499)**	798
Adjustments in respect of prior periods	**(2,831)**	329
Total current tax	**(6,330)**	1,127
Deferred tax (see note 15)		
Origination and reversal of temporary timing differences	**(3,326)**	(3,984)
Reduction in statutory tax rate	**351**	321
Adjustments in respect of prior periods	**2,394**	150
Total deferred tax	**(581)**	(3,513)
Tax on loss	**(6,911)**	(2,386)

Notes *(continued)*

10 Taxation *(continued)*

Tax recognised in other comprehensive income	**2018 £000**	2017 £000
Remeasurement of defined benefit pension asset/(liability)	**1,813**	(5,064)
	1,813	(5,064)

Tax recognised directly in equity	**2018 £000**	2017 £000
Current tax	**(3)**	(1)
Deferred tax	**1,816**	(5,063)
Total tax recognised directly in equity	**1,813**	(5,064)

Reconciliation of effective tax rate	**2018 £000**	2017 £000
Loss for the year	**(28,981)**	(14,914)
Total tax expense	**(6,911)**	(2,386)
Loss excluding taxation	**(35,892)**	(17,300)
Tax using the UK corporation tax rate of 19% (2017: 20%)	**(6,819)**	(3,460)
Reduction in statutory tax rate on deferred tax balances	**350**	321
Expenses not deductible for tax purposes	**140**	237
Relief in respect of employee share options	**(145)**	37
Adjustments in respect of prior periods	**(437)**	479
Total tax income	**(6,911)**	(2,386)

The main rate of corporation tax will remain at 19% until 1st April 2020 when it will reduce to 17%. These rates have been used to calculate the deferred tax balance as they were substantively enacted at the balance sheet date.

Notes *(continued)*

11 Intangible assets

	Software	Assets under construction	Total
Cost	**£000**	**£000**	**£000**
At 1 April 2017	63,629	2,343	65,972
Additions	7,709	493	8,202
Disposals	(32)	-	(32)
Transfers to other Group companies	(34)	-	(34)
Movement between cost and amortisation	(5,622)	(375)	(5,997)
At 31 March 2018	**65,650**	**2,461**	**68,111**
Amortisation			
At 1 April 2017	38,565	-	38,565
Charge for the year	7,532	-	7,532
Disposals	(13)	-	(13)
Impairment	7,989	-	7,989
Transfers to other Group companies	610	-	610
Movement between cost and amortisation	(5,622)	-	(5,997)
At 31 March 2018	**49,061**	**-**	**49,061**
Net book value			
At 1 April 2017	25,064	2,343	27,407
At 31 March 2018	**16,589**	**2,461**	**19,050**

Intangibles are amortised over their estimated economic life of between five and ten years.

Notes *(continued)*

12 Tangible fixed assets

	Land and buildings £000	Leasehold property £000	Plant & vehicles £000	Total £000
Cost				
Balance at 1 April 2017	1,221	14,600	13,975	29,796
Additions	-	5,023	2,156	7,129
Disposals	(1,221)	-	(10)	(1,231)
Transfers	-	-	79	79
Balance at 31 March 2018	**-**	**19,623**	**16,200**	**35,823**
Depreciation and Impairment				
Balance at 1 April 2017	326	8,769	9,875	18,970
Depreciation charge for the year	-	1,375	1,966	3,341
Disposals	(326)	-	-	(326)
Transfers	-	-	37	37
Balance at 31 March 2018	**-**	**10,144**	**11,878**	**22,022**
Net book value				
At 1 April 2017	895	5,831	4,100	10,826
At 31 March 2018	**-**	**9,479**	**4,322**	**13,801**

Notes *(continued)*

13 Debtors

	2018 £000	2017 £000
Trade debtors	**2,883**	2,594
Amounts owed by Group undertakings	**5,587**	3,151
Other debtors	**4,090**	2,195
Deferred tax assets (see note 15)	**1,520**	13,311
Corporation tax	**5,442**	-
Prepayments	**2,439**	2,613
Accrued income	**-**	289
Total	**21,961**	24,153
Due within one year	**20,441**	10,839
Due after more than one year	**1,520**	13,314

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.

14 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Bank loans and overdrafts	**24,331**	-
Payments received on account	**-**	680
Trade creditors	**2,783**	4,433
Amounts owed to Group undertakings	**43,600**	41,121
Taxation and social security	**363**	391
Corporation tax	**-**	892
Other creditors	**2,339**	3,799
Accruals	**16,063**	7,367
Deferred income	**81**	49
	89,560	58,732

Included within amounts owed from Group undertakings above, is £40,000,000 (2017: £40,009,000) relating to loans bearing interest at 5% per annum (2017: 5% per annum). The directors consider that the carrying amount of trade debtors approximate their fair value.

Amounts due to Group undertakings are repayable on demand.

Notes *(continued)*

15 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018	2017	**2018**	2017	**2018**	2017
	£000	£000	**£000**	£000	**£000**	£000
Tangible fixed assets	**1,367**	13,311	**-**	-	**1,367**	13,311
Share-based payments	**152**	-	**-**	-	**152**	-
Provisions	**1**	-	**-**	-	**1**	-
Net tax liabilities	**1,520**	13,311	**-**	-	**1,520**	13,311

Movement in deferred tax during the 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**
	13,311	582	(1,817)	(10,556)	**1,520**

Movement in deferred tax during the prior year

	1 April 2016	Recognised in income	Recognised in equity	31 March 2017
	£000	£000	£000	£000
Tangible fixed assets	4,735	3,513	5,063	13,311
	4,735	3,513	5,063	13,311

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 credit.

Notes *(continued)*

16 Provisions

	Insurance excess provision £000	Dilapidations provision £000	Total £000
Balance at 1 April 2017	3	-	3
Provisions used during the year	(2)	315	313
Balance at 31 March 2018	1	315	**316**

The insurance reserve provides 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.

17 Retirement benefit schemes

Defined benefit schemes

The Company is a participant in the Mitie Group plc Pension Scheme ('Group Scheme'), which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their final pensionable pay.

The scheme closed to new members in 2006, with new employees able to join one of the defined contribution schemes. The main Group scheme has now been closed as of October 2017. Pensions in payment are generally increased in line with RPI inflation, subject to certain caps and floors. Benefits are payable on death and other events such as withdrawal from active service.

The Group scheme is operated under the UK regulatory framework. Benefits are paid to members from the trust-administered fund, where the trust is responsible for ensuring that the scheme is sufficiently funded to meet current and future benefit payments. Plan assets are held in trust and are governed by pension's legislation. If investment experience is worse than expected or the actuarial assessment of the scheme's liabilities increases, the group's financial obligations to the scheme rise.

The nature of the relationship between the Group and the Trustee is also governed by local regulations and practice. The Trustee must agree a funding plan with the sponsoring company such that any funding shortfall is expected to be met by additional contributions and investment outperformance. In order to assess the level of contributions required, triennial valuations are carried out with the scheme's obligations measured using prudent assumptions (which are determined by the Trustee with advice from the scheme actuary). The most recent triennial valuation was carried out as at 31 March 2017.

The scheme Trustee's other duties include managing the investment of the scheme's assets, administration of plan benefits and exercising of discretionary powers. The Group works closely with the Trustees to manage the scheme.

All group companies account for the contributions to the group scheme payable in respect of their employees and as part of a group arrangement the Company accounts for the other income, expenses, gains, losses, assets and liabilities of the scheme.

Notes *(continued)*

17 Retirement benefit schemes *(continued)*

Risks and risk management

The Group scheme, in common with the majority of UK plans, has a number of risks. These areas of risk and the ways in which the Group has sought to manage them, are set out below.

The risks are considered from both a funding perspective, which drives the cash commitments of the Group, and from an accounting perspective, i.e. the extent to which such risks affect the amounts recorded in the Group's financial statements:

Risk	Description
Asset volatility	The funding liabilities are calculated using a discount rate set with reference to government bond yields, with allowance for additional return to be generated from the investment portfolio. The defined benefit obligation for accounting is calculated using a discount rate set with reference to corporate bond yields. The Group scheme holds a large proportion of its assets (73%) in equities and other return-seeking assets (principally diversified growth funds ('DGFs') and property). The returns on such assets tend to be volatile and are not correlated to government bonds. This means that the funding level has the potential to be volatile in the short term, potentially resulting in short-term cash requirements or alternative security offers which are acceptable to the Trustees and an increase in the net defined benefit liability recorded on the Group's balance sheet. The Group believes that equities and DGFs offer the best returns over the long term with an acceptable level of risk and hence holds a significant proportion of these types of asset. However, the scheme's assets are well-diversified by investing in a range of asset classes, including property, government bonds and corporate bonds. The Group scheme holds 26% of its assets in DGFs which seek to maintain high levels of return whilst achieving lower volatility than direct equity funds. The allocation to return seeking assets is monitored to ensure it remains appropriate given the scheme's long-term objectives. The investment in bonds is discussed further below.
Changes in bond yields	Falling bond yields tend to increase the funding and accounting liabilities. However, the investment in corporate and government bonds offers a degree of matching, i.e. the movement in assets arising from changes in bond yields partially matches the movement in the funding or accounting liabilities. In this way, the exposure to movements in bond yields is reduced.
Inflation risk	The majority of the scheme's benefit obligations are linked to inflation. Higher inflation will lead to higher liabilities (although caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the Group scheme's assets are either unaffected by inflation (fixed interest bonds) or loosely correlated with inflation (equities), meaning that an increase in inflation will also increase the deficit.
Life expectancy	The majority of the schemes' obligations are to provide a pension for the life of the member, so unexpected increases in life expectancy will result in an increase in the liabilities.

Areas of risk management

Although investment decisions in the scheme are the responsibility of the Trustee, the Group takes an active interest to ensure that pension plan risks are managed efficiently. The Group and Trustee have agreed a long-term strategy for reducing investment risk where appropriate.

Certain benefits payable on death before retirement are insured.

The information disclosed below is in respect of the whole of the plan for which the Company is allocated a responsibility under an agreed Group policy throughout the periods shown.

Notes *(continued)*

17 Retirement benefit schemes *(continued)*

In November 2017 Mitie Shared Services Limited entered into a flexible apportionment agreement and as a consequence is no longer a sponsoring entity of a pension scheme. On the date of transfer Mitie Shared Services' liability obligations and sponsoring obligations in relation to the defined benefit pension scheme were transferred to another company within the Mitie Group and hence the company no longer has any present or future liability in relation to the scheme. Up until the date of the flexible apportionment, the Group made a total contribution to the scheme of £777,000 (financial year 2017: £2,033,000)

	2018	2017
	£000	£000
Defined benefit asset	-	177,800
Defined benefit liability	-	(248,458)
Net liabilities for defined benefit obligations (see following table)	-	(70,658)

Movements in net defined benefit liability

	Defined benefit obligation		**Fair value of plan assets**		**Net liability for defined benefit obligation**	
	2018	2017	**2018**	2017	**2018**	2017
	£000	£000	**£000**	£000	**£000**	£000
Balance at 1 April	**(248,458)**	(191,333)	**177,800**	156,902	**(70,658)**	(34,431)
Included in profit or loss						
Current service cost	**(1,248)**	(3,176)	-	-	**(1,248)**	(3,176)
Administrative expense	-	-	**(669)**	(762)	**(669)**	(762)
Interest (cost)/income	**(3,268)**	(6,807)	**2,229**	5,454	**(1,039)**	(1,353)
	(252,974)	(201,316)	**179,360**	161,594	**(73,614)**	(39,722)
Included in OCI						
Remeasurements loss/(gain):						
Actuarial loss /(gain) arising from						
- Change in financial assumptions	**9,664**	(52,497)	-	-	**9,664**	(52,497)
- Experience adjustment	**(1,051)**	848	-	-	**(1,051)**	848
Return on plan assets excluding interest income	-	-	**2,107**	18,680	**2,107**	18,680
	(244,361)	(252,965)	**181,467**	180,274	**(62,894)**	(72,691)
Other						
Contributions paid by the employer	-	-	**777**	2,033	**777**	2,033
Contributions paid by the scheme members	**(24)**	(65)	**24**	65	-	-
Benefits paid	**3,618**	4,572	**(3,618)**	(4,572)	-	-
Assets/liabilities transferred in respect of a flexible apportionment agreement	**240,767**	-	**(178,650)**	-	**62,117**	-
Balance at 31 March	-	(248,458)	-	177,800	-	(70,658)

Notes *(continued)*

17 Retirement benefit schemes *(continued)*

Plan assets

	2018	2017
	£000	£000
Equity instruments	-	66,353
Debt instruments - Government bonds	-	26,815
Debt instruments - Corporate bonds	-	21,673
Real estate	-	16,166
Diversified growth fund	-	46,637
Cash and cash equivalents	-	156
	-	177,800

In the financial year ended 31 March 2017 73% of the assets were held in equities, property and pooled investment vehicles which seek a higher expected level of return over the long term. In addition, £7m of the property assets represented freehold property, the rest were quoted property investments.

Actuarial assumptions

The Group made a total contribution to the Group scheme of £4,400,000 during the year (2017: £2,033,000), including an additional payment of £2,990,000 in relation to payment against the funding deficit. The payment made after the flexible apportionment transfer amounted to £3,612,000. The Group expects to make contributions of around £5,600,000 to the Group scheme in the coming year, including £4,200,000 against the funding deficit. Employees' contribution to the cost of the scheme is generally paid through a salary sacrifice arrangement.

The table below sets out the details of the latest funding valuation of the Group scheme as at 31 March 2017.

Details of latest funding valuation

Date of last formal funding valuation	31 March 2017
Assets at valuation date	£178.7 million
Funding liabilities at valuation date	£225.3 million
Deficit at valuation date	£46.6 million

The total contribution rate is between 40.5% and 44.9% of annual pay for the remaining active members. The employer contribution rate is the balance of the total cost after the deducting the employee rate, which ranges depending on section and earnings. The total contribution excludes any allowances for expenses met by the scheme.

To eliminate the funding deficit the Trustee and the Group agreed that additional contributions (i.e. over and above those required to cover benefits being accrued) will be paid into the scheme of £58.0m by 31 March 2027, of which £11.9m are due by 31 March 2020. On 27 November 2017, the Group paid the first of these additional contributions amounting to £3.0m. Under this recovery plan, if the assumptions made are borne out in practice, the deficit would be eliminated by 31 March 2027.

The following table sets out details of the membership at 31 March 2017:

Active members - by number	**182**
Active members - by proportion of funding liability	**20.4%**
Total pensionable salary roll pa	**£8.4m**
Deferred members - by number	**853**
Deferred members - by proportion of funding liability	**52.0%**
Total deferred pensions pa (at date of leaving scheme)	**£4.6m**
Pensioner members - by number	**640**
Pensioner members - by proportion of funding liability	**27.6%**
Total pensions in payment pa	**£2.7m**

Notes *(continued)*

17 Retirement benefit schemes *(continued)*

The following table sets out details of the membership at 31 March 2017:

Active members - by number	**182**
Active members - by proportion of funding liability	**20.4%**
Total pensionable salary roll pa	**£8.4m**
Deferred members - by number	**853**
Deferred members - by proportion of funding liability	**52.0%**
Total deferred pensions pa (at date of leaving scheme)	**£4.6m**
Pensioner members - by number	**640**
Pensioner members - by proportion of funding liability	**27.6%**
Total pensions in payment pa	**£2.7m**

The following are the principal actuarial assumptions at the reporting date:

	2018	2017
	%	%
Discount rate	**2.60**	2.65
Future salary increases	**3.10**	2.00
Retail price inflation	**3.10**	3.40
Consumer price inflation	**2.10**	2.40
Future pension increases	**3.40**	3.40

The assumptions used in calculating the accounting costs and obligations of the Group's defined benefit pension scheme are set after consultation with independent, professionally qualified actuaries.

The discount rate used to determine the present value of the obligations is set by reference to market yields on high quality corporate bonds. The assumptions for price inflation are set by reference to the difference between yields on longer-term conventional government bonds and index-linked bonds. The assumption for increases in pensionable pay takes into account expected salary inflation, the cap at CPI, and how often the cap is likely to be exceeded.

The assumptions for life expectancy have been set with reference to the actuarial tables used in the latest funding valuations, with a lower 'best-estimate' allowance for future improvements to mortality.

The sensitivity of the defined benefit obligation for the Group scheme to changes in the principal assumptions is shown in the table below:

Sensitivity of defined benefit obligation to key assumptions:

	Impact on defined benefit obligation		
	Change in assumption	Increase/(decrease) in obligations	Increase/(decrease) in obligations
		%	£
Discount rate	**0.1%**	**(2.0)%**	**(5.0)**
RPI inflation*	**0.1%**	**1.5%**	**3.8**
CPI inflation (excluding pay)	**0.1%**	**0.7%**	**1.8**
Life expectancy	**1 year**	**3.9%**	**9.8**

* Including other inflation-linked assumptions (CPI inflation, pension increases, salary growth)

The sensitivity information shown above has been prepared using the same method as adopted when adjusting the results of the latest funding valuation to the balance sheet date.

Some of the above changes in assumptions may have an impact on the value of the scheme's investment holdings. For example, the Group scheme holds a proportion of its assets in UK corporate bonds. A fall in the discount rate as a result of lower UK corporate bond yields would lead to an increase in the value of these assets, thus mitigating the increase in the defined benefit obligation to some extent.

The duration, or average term to payment for the benefits due, weighted by liability, is around 22 years for the Group scheme.

Defined contribution schemes

The Company operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was £692,000 (2017: £691,000).

Notes *(continued)*

18 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 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.

	2018	2017
Weighted average share price at date of exercise	**268p**	249p
Options outstanding prices	**212p to 316p**	201p to 319p
Weighted average remaining contractual life	**4.0 years**	4.7 years

The options outstanding at 31 March 2018 had exercise prices ranging from 212p to 316p (2017: 201p to 319p). During the year, options were granted July, August, October, November 2017 and January 2018. In the year ended 31 March 2017, options were granted in May, July, November, December 2016 and January 2017.
The cost of options and conditional awards over the Mitie PLC parent Company shares, granted to employees of the Company are accounted for as a credit in equity, representing a capital contribution from the parent Company.

Notes *(continued)*

19 Capital and reserves

Share capital authorised and fully paid	At start of year	At end of year	**2018 £000**	2017 £000
Ordinary Shares				
Ordinary shares at £1 each	300	300	-	-
	300	300	-	-

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.

20 Operating leases

At 31 March, the Company had annual commitments under non-cancellable operating lease rentals as follows:

	2018 £000	2017 £000
Less than one year	**19,268**	22,650
Between one and five years	**28,003**	26,293
More than five years	**-**	4,487
	47,271	53,430

During the year, £20,833,000 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £25,006,000).

Notes *(continued)*

21 Commitments

Capital commitments

During the year ended 31 March 2018, the Company entered into a contract to purchase property, plant and equipment for £nil (2017: £119,000).

Commitments on behalf of Group undertakings

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

	2018	2017
	£000	£000
Overall commitment	**258,106**	309,315

22 Related parties

Under FRS 101 the Company is exempt from disclosing key management personnel compensation and transactions with other companies wholly owned by Mitie Group plc.

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. Full details of the scheme are set out in the Annual Report and Accounts of Mitie Group plc.

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

23 Subsequent events

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

24 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, London, SE1 9SG, UK or from www.mitie.com.