

**MEARS**

**Mears Limited**

Financial statements

For the year ended 31 December 2014

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COMPANIES HOUSE

**Company No. 02519234**

## Company information

<b>Company registration number</b>	02519234
<b>Registered office</b>	1390 Montpellier Court Gloucester Business Park Brockworth Gloucester GL3 4AH
<b>Directors</b>	G R Eden C E Middlemass D J Miles D C Pace A C M Smith B R Westran Mears Group PLC
<b>Secretary</b>	B R Westran
<b>Bankers</b>	Barclays Bank PLC Corporate Banking 4 <sup>th</sup> Floor Bridgwater House Counterslip Finzels Reach Bristol BS1 6BX
<b>Solicitors</b>	BPE St James' House St James' Square Cheltenham Gloucestershire GL50 3PR
<b>Auditor</b>	Grant Thornton UK LLP Chartered Accountants Registered Auditors Hartwell House 55 - 61 Victoria Street Bristol BS1 6FT

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# Strategic Report

## Business review

### Review of the year

The Company reported turnover of £505.0m (2012: £458.1m), reflecting growth of 10.2%. This growth was primarily generated from the full year effect of the 2013 mobilisations. Operating margin (before exceptional items) increased from 4.7% to 4.9%. Although our Social Housing order intake was impacted temporarily from a quieter period of new bidding opportunities, our conversion of new bidding opportunities reported an increase to 35%. This is an important metric and one that will serve us well, once the bid pipeline opportunities return to historic levels.

Service quality remains our key differentiator. We are pleased that we continue to achieve high standards of service delivery. The proportion of customers rating our service as excellent has improved to 91% (2013: 82%). Typically, others in the sector measure only satisfaction, whereas our drive has been for excellence.

The housing finance changes introduced in 2012 decentralised decision making and empowered Local Authorities to determine the future of the local housing offering they make to their communities. In addition, both Local Authorities and Housing Associations have been impacted by the introduction of Welfare Reforms which have changed the relationship between tenants and landlords. We communicated these changes early, and as anticipated, they had a positive effect on the funding available to Registered Social Landlords ("RSLs"), as evidenced by the large number that are reporting surpluses. A short-term negative however, has been the delays in new bidding opportunities resulting from these changes. Whereas historically, the focus for the Housing Revenue Account was in respect of maintaining the existing stock, the additional funds available now give rise to a variety of investment decisions, causing a number of RSLs to consider their next steps over a longer timeframe. Whilst these delays have resulted in the absolute level of opportunities to bid for in the year being lower than originally anticipated, the bidding opportunities available to the Company over the longer term remain at historical levels.

We anticipated that 2015 would be an important period for contract retention. Three material contracts were expected to be rebid in the coming year. However, in a similar way to our recent experience with new contract opportunities, the contracts have not been rebid but rather extended to Mears to beyond 2015.

Over time, we have learned that in addition to excellent service delivery, strict bidding practice and innovation is essential in Social Housing. We appreciate that clients and competitors are under enormous pressure in an increasingly complex market with challenging underlying needs. We have become more aware this year of a material number of contracts held by competitors that are unsustainable either in terms of service delivery, financial viability or both. We are confident that, over the next 18 months, our patience will be rewarded and our differentiated model vindicated, as these contracts reach breaking point. This point is illustrated by our appointment by Sutton Housing Partnership ("SHP"), which we mobilised over a period of two days in late December 2014. This contract was awarded on an emergency one year basis after the exit of the incumbent contractor. The contract covers 6,000 homes in the London Borough of Sutton, delivering responsive repairs, voids and a planned maintenance programme. The contract mobilisation has gone extremely well, especially given the short timescales; our new client has experienced an immediate improvement in quality.

## Strategic Report - continued

### Business review - continued

#### Our social housing strategy

We have maintained a consistent strategy over the last fifteen years, which is summarised below:

Strategic Focus	Delivery
Differentiate on customer service leadership as the prime driver of sustainable growth	Record level of customer satisfaction achieved in 2014
Support our clients to obtain maximum benefit from the opportunities presented by Government and funding	Provision of a full asset management capability to ensure appropriate investment in housing stock refurbishment. The acquisition of Omega further advances the Group's capability
Focus on building long-term partnerships	Retention of key client relationships in 2014, including Thurrock and Octavia and material contract extensions in Gateshead and Leeds. Successful development and introduction of new partnership models such as our joint ventures in Manchester and North Lanarkshire
Drive innovation to provide better outcomes for tenants	Investment in the development of housing management services and further enhancement to our Mears Direct model which provides solutions for clients who wish to insource their maintenance services
Develop a skilled and motivated workforce	Achieved Top 100 employer status in the UK for apprenticeships. Extensive investment in training and development of staff at all levels
Consider acquisitions to supplement our capabilities and support our increasing service breadth	Pipeline of potential housing management acquisitions to reinforce our leadership position but greater focus is upon organic growth

#### Safety, health and environment (SHE)

We are extremely proud of our health and safety performance and it remains a priority for the Directors to review performance at every Board meeting. Providing our employees with a safe working environment remains paramount, which is why our accident rates continue to reduce year on year. In 2014, we reduced our accident frequency rates by 10% through proactive campaigns, training and site inspections.

The year 2014 not only proved to be a safer year but we also trained more operatives and managers. New initiatives were introduced including our STAR moving and handling campaign which encourages staff to stop, think, act and review. We are particularly pleased to have retained our Royal Society for the Prevention of Accidents (RoSPA) Award, making this Mears' twelfth consecutive Gold Award.

#### Training and people development

During 2014 we have continued to develop initiatives to help all Mears employees gain a broad understanding of the business they work for and to ensure that every individual feels valued for the role they perform and empowered to contribute to organisational decisions.

Delivering integrated multi-directional communications and engaging with our thousands of care workers and housing operatives means that managers need information, support and tools which enable them to improve engagement locally and foster a team spirit. Branch managers now participate in face-to-face briefing sessions with the Executive Team. The CEO's weekly senior management briefing keeps senior managers informed of current issues and news. Items of general interest goes out as a Daily Mears Matters email to around 4,000 staff every morning with branches asked to pass on relevant items to field staff.

In the summer we ran a highly successful range of communication meetings around the country. These combined regional cross-business networking sessions that identified common issues with an informal 'social' event for all staff with a health and wellbeing theme that offered free health checks.

## Strategic Report - continued

### Business review - continued

#### Our communities

Mears has always believed that good customer service is more than just ensuring that we deliver an effective repairs and care service. Given the longevity of most of our contracts, we see it as our responsibility to make a long-term difference to the sustainability of the communities in which we operate. In 2014, once again, over 600 local community projects were carried out by our staff. From North Lanarkshire to Falmouth and many places in between, our employees undertook a host of voluntary activities that included: repainting nursery school playgrounds; creating patio and garden areas for sheltered housing schemes; fund-raising to improve sporting facilities; organising community fun days; and holding music mentoring classes for school pupils.

#### Key Performance Indicators (KPIs)

The Company operates a balanced scorecard approach. This ensures that the Company targets its resources around our customers, community, employees, operations and finance. This enables the business to be operated on a balanced basis with due regard for all stakeholders.

We use the following KPIs to monitor our performance. Typically others in the sector measure only customer satisfaction whereas our drive has always been for excellence. Service quality remains our key differentiator. Whilst we are delighted at the strong performance delivered in terms of both new contract bidding and ultimately the financial outputs, it is often forgotten by our stakeholders that it is service quality that has always underpinned our success.

We do not believe there is any underlying margin pressure within the new contract bidding environment. Whilst there have always been competitors with a greater appetite for turnover growth, we remain highly selective, and there is no shortage of opportunities where potential clients are willing to focus on quality and consider not simply the price paid to Mears, but more importantly the overall cost of delivering the outsourced service. The high number of recent contract successes will provide the foundations for delivering robust growth in 2014.

#### Service delivery

Measure	Why we measure it and how we performed	Outcome	
		2014	2013
<b>Percentage of people rating our service as excellent</b>	The sector in general collects customer satisfaction data and reports on the percentage of customers who rate the service as satisfactory. Given that we are service leaders, it is not sufficient to benchmark ourselves by these standards. Our measurement is based on the percentage of people who rate the service as excellent. We conduct around 80,000 surveys per year by telephone and directly with our customers via our operatives' hand-held device (PDAs).  This is an excellent outcome. We continue to focus upon training and development of our staff and we work closely with customers and tenants to achieve this.	91%	82%
<b>Complaints as a percentage of jobs</b>	Whilst we achieve high levels of service excellence, it is important that we monitor carefully the number of poor service incidents, that we deal with each individual complaint and that we learn from underlying trends. We measure the number of complaints as a percentage of repair jobs delivered in the period.  It is pleasing to note a reduction in the level of complaints.	0.30%	0.31%
<b>Jobs completed on time</b>	Delivering to our promises is at the heart of Mears. Each of our contracts has specific targets around job completion time based on the nature of the work. Emergency jobs are typically undertaken the same day whilst routine work will be scheduled into overall work plans. Having agreed the standards by type of work, it is obviously important that we stick to them.  To maintain this performance measure at a consistently high level is a positive outcome for the year.	91%	92%

## Strategic Report - continued

### Key Performance Indicators (KPIs) - continued

#### Contract bidding

Measure	Why we measure it and how we performed	Outcome	
		2013	2012
<b>New contract success rate</b>	<p>We tender £1 – 2bn of new opportunities each year. The average contract is six years in length. In order to achieve our organic growth forecasts, we monitor the proportion of new contracts secured as a proportion of total tendered works.</p> <p>The opportunities available to the Company over the longer term remain at historical levels. The Social Housing order intake was impacted temporarily from a quieter period of new bidding opportunities, our conversion of new bidding opportunities reported an increase to 35%. This is an important metric, one that will serve us well once the bid pipeline picks-up.</p>	35%	32%

#### Financial output

<b>Turnover growth</b>	<p>Turnover represents the amounts due for goods and services provided during the year. In order to measure organic growth, we deduct turnover derived from assets that have been acquired. Whilst acquisitions form part of the growth aspirations of our Company, we believe that organic growth gives a better indicator of business performance as it is a purer aggregation of market growth, success in new contract bidding and high contract retention rates.</p> <p>We are pleased with this level of growth. Our key focus continues to be our long term, non-discretionary, maintenance turnover.</p>	10%	13%
<b>Operating margin (before exceptional costs)</b>	<p>Operating margin gives a strong indication of profitability. We continually monitor our operating margins and manage our costs base to ensure that our services are delivered efficiently.</p> <p>This is an excellent outcome. The novation of a number of Morrison contracts which were loss making at the time has resulted in some margin dilution.</p>	4.9%	4.7%

The Company has continued to develop its contract management system. Some secondary KPIs are monitored on a real time basis through what is known internally as the Digital Dashboard.

### Risk management objectives and policies

The effective management of risks is a key feature to the continuing success of our Company. Our approach is to identify principal risks and robustly mitigate the impact of these risks through a Group-wide risk management process.

#### • Macro economy

Our primary market is subject to government legislation and is dependent on the political environment, local or national, including public sector, policy and funding. Any changes in policy or legislation that reduces expenditure during the life of contracts could have a detrimental effect on the Company's business. Having an awareness of, and being responsive to, market developments by, for example, developing managed insourcing and Joint Venture products to give choice to clients, is essential to mitigate these risks.

#### • Reputation

The ultimate success of Mears relies upon maintaining a positive reputation in the public and amongst all stakeholders. Negative actions, behaviour, service and results will damage the business reputation and will affect the future of our Company. This includes risk of negative publicity from actions of employees and suppliers. We are dependent on our strong management team and a skilled and motivated workforce, otherwise the delivery of business objectives will be jeopardised.

## Strategic Report - continued

### Financial risk management objectives and policies - continued

- **Liquidity**

There is a noticeable increase in client and market focus on the financial strength of our trading due to a number of main peer contractors going into administration. Various stakeholders require reassurance that the Company has strong liquidity risk management including a long term funding facility agreement and the generation of sufficient cash from trading.

Risks arise from short term cash flow movements and renewal risk on maturity of facilities. The Company is part of a Group banking facility. Our bank funding facility was recently extended to service the Group's needs until 2018.

Both short term and long term liquidity are monitored through the use of various tools including cashflow forecasts and proactive response to variances identified.

- **Business retention and new business**

A strong bid pipeline and order book are essential to the success of the business. Risk management planning is needed to ensure new tenders are won and existing contracts are retained. Successful re-tendering requires a combination of competitive pricing and client confidence in quality proposals based on evidence of historical delivery.

- **Integrity, ethics, anti-bribery and corruption**

There are inherent risks of bribery, fraud and corruption in some of the sectors we work in. It is important that we have an internal control framework and means of communication to be pro-active where any risks materialise.

This report was approved by the Board on 17 March 2015 and signed on its behalf.



B R Westran  
Director



## Report of the Directors

The Directors present their report and the financial statements of the Company for the year ended 31 December 2014.

### Principal activities

The principal activity of the Company during the year continued to be the provision of maintenance services.

### Results and dividends

The trading results for the year and the Company's financial position at the end of the year are shown in the attached financial statements and discussed in the strategic review. The Company made a profit for the year of £21,181,000 (2013: £16,330,000).

The Directors have recommended a dividend of £14,000,000 for 2014 (2013: £12,000,000). Particulars of dividends paid and proposed are detailed in note 8 to the financial statements.

### Directors

The Directors who served the Company during the year were as follows:

G R Eden  
C E Middlemass (appointed 7 January 2015)  
D J Miles  
D C Pace  
A C M Smith  
B R Westran  
Mears Group PLC

### Policy on the payment of creditors

It is the Company's policy to settle terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them.

Trade creditors at the year-end amounted to 64 days of average supplies for the year (2013: 62 days).

### Disabled employees

Applications for employment by disabled employees are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities.

In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Company may continue.

It is the policy of the Company that training, career development and promotion opportunities should be available to all employees.

### Employee involvement

The Company has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the Company.

This is achieved through consultations with employee representatives and a Company newsletter.

The Company has received recognition under the Investors in People scheme and continues to involve its staff in the future development of the business.

## Report of the Directors - continued

### Directors' responsibilities

The Directors are responsible for preparing 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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Going concern consideration

Mears Group PLC, the parent company, has a centralised treasury arrangement and so shares banking arrangements with its subsidiaries.

After making enquiries, the directors believe that the Group and Company have adequate resources to continue in operational existence for the foreseeable future, and they have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Group to continue as a going concern or its ability to continue with the current banking arrangements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

### Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with s489 of the Companies Act 2006.

This report was approved by the Board on 17 March 2015 and signed on its behalf.



B R Westran  
Director

# Report of the independent auditor to the member of Mears Limited

We have audited the financial statements of Mears Limited for the year ended 31 December 2014 which comprise the balance sheet, the profit and loss account, the statement of total recognised gains and losses, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member 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 member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 9 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

## **Matters on which we are required to report by exception**

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

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



**Mark Bishop**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Bristol

17 March 2015

## Principal accounting policies

### Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable United Kingdom accounting standards. The accounting policies have remained unchanged from the previous year and are set out below.

### Consolidation

The Company was, at the end of the year, a wholly-owned subsidiary of another, Mears Group PLC, incorporated in the United Kingdom whose accounts are publicly available and in accordance with Section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts. Consequentially, these accounts present information about the individual undertaking.

### Cash flow statement

The Directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that 100% of the voting rights of the Company are controlled by its ultimate parent Company, which publishes a consolidated cash flow statement.

### Related parties transactions

The Company is a wholly owned subsidiary of Mears Group PLC, the consolidated accounts of which are publicly available. Accordingly, the Company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of Mears Group PLC group.

### Turnover

Turnover is the total amount receivable by the Company for goods supplied and services provided, excluding VAT and trade discounts, and is recognised as follows:

- Social housing – when the outcome of a job or contract can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of work at the balance sheet date. The stage of completion of the job or contract at the balance sheet date is assessed by comparing the value of work completed to date with the total value of work to be completed. The outcome of the transaction is deemed to be able to be estimated reliably when all the following conditions are satisfied:
  - the amount of revenue can be measured reliably;
  - it is probable that the economic benefits associated with the transaction will flow to the entity;
  - the stage of completion of the transaction at the balance sheet date can be measured reliably; and
  - the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Where a contract for work involves delivery of several different elements and is not fully delivered or performed by the year end, revenue is recognised based on the proportion of the value of the elements delivered to the value of the overall contract.

- Maintenance contracts – the Company has a number of contracts for planned maintenance and reactive maintenance. Planned maintenance revenue is recognised when the work is carried out; reactive maintenance revenue is recognised over the contract term period.

### Investments

Investments are included at cost net of any provision for impairment.

## Principal accounting policies - continued

### Intangible assets

Development expenditure relating to computer software is capitalised where; an asset can be identified, it is probable that this asset will generate future economic benefits and that the cost of the asset can be measured reliably. Development expenditure is written off over the period expected to benefit. All development expenditure that does not meet these criteria is expensed as incurred.

The period of amortisation is as follows:

Software Development expenditure	-	20% per annum, straight line
Other intangibles	-	20% per annum, straight line

### Goodwill

Purchased goodwill, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life. The period of amortisation is assessed on an acquisition by acquisition basis and is set based on the expected period that the assets acquired will contribute to the Company's results. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable. The rate applicable to goodwill currently included in the balance sheet is 5% per annum.

### Fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold property improvements	-	over the period of the lease
Software	-	25% per annum, reducing balance
Plant and machinery	-	25% per annum, reducing balance
Motor vehicles	-	25% per annum, reducing balance
Fixtures, fittings and equipment	-	25% per annum, reducing balance

### Stock and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes materials and direct labour. Provision is made for any impairment when appropriate.

### Long-term contracts

The attributable profit on long-term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project.

Costs associated with long-term contracts are included within stock to the extent that they cannot be matched with contract work accounted for as turnover.

Full provision is made for losses on any contracts in the period that a loss is first foreseen.

### Finance lease agreements

Where the Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account over the period of the lease, and the capital element which reduces the outstanding obligation for future instalments.

## Principal accounting policies - continued

### Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

### Retirement Benefits

#### *Defined contribution pension schemes*

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the profit and loss account.

#### *Defined benefit pension schemes*

The Company participates in a number of multi-employer defined benefit schemes. For defined benefit schemes, where the Company is able to identify its share of the assets and liabilities, the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

The Company also participates in a multi-employer defined benefit scheme where it is unable to identify its share of the underlying assets and liabilities. The pension costs charged against operating profit are the contributions payable to the scheme in respect of the accounting period.

### Share based payment

An expense is recognised for all share based payment arrangements that were granted after 7 November 2002 in the financial statements.

The Company participates in equity-settled share based remuneration plans operated by its parent undertaking, Mears Group PLC, for its employees. All employee services received in exchange for the grant of any share based remuneration are measured at their fair values. These are indirectly determined by reference to the fair value of the share options awarded. Their value is determined at the date of grant and is not subsequently remeasured unless the conditions on which the award was granted are modified. The fair value at the date of the grant is calculated using the Binomial Option pricing model and the cost is recognised on a straight-line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period to satisfy service conditions.

Share based remuneration is recharged by the parent undertaking and recognised as an expense in the profit and loss account.

### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only where it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

## Principal accounting policies - continued

### **Financial instruments**

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

## Profit and loss account

	Note	2014 £'000	2013 £'000
<b>Turnover</b>	1	<b>504,978</b>	458,069
Cost of sales		(376,594)	(344,756)
<b>Gross profit</b>		<b>128,384</b>	113,313
Other operating charges	2	(103,780)	(91,624)
Exceptional items	3	–	(6,230)
<b>Operating profit</b>	3	<b>24,604</b>	15,459
Income from fixed asset investments		–	76
Net interest	6	1,744	889
<b>Profit on ordinary activities before taxation</b>		<b>26,348</b>	16,424
Tax on profit on ordinary activities	7	(5,167)	(94)
<b>Profit for the financial year</b>	23	<b>21,181</b>	16,330

All of the activities of the Company are classed as continuing.

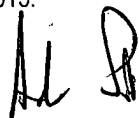
The accompanying accounting policies and notes form part of these financial statements.



## Balance sheet

	Note	2014 £'000	2013 £'000
<b>Fixed assets</b>			
Intangible assets	9		
Development expenditure		3,307	3,050
Other intangibles		–	–
Goodwill		37	271
Tangible assets	10	10,626	9,838
Investments	11	4,034	4,034
		<u>18,004</u>	<u>17,193</u>
<b>Current assets</b>			
Stocks	12	6,965	7,975
Debtors	13	123,941	103,196
Cash at bank and in hand		40,802	42,945
		<u>171,708</u>	<u>154,116</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(119,767)</u>	<u>(108,934)</u>
<b>Net current assets</b>		<u>51,941</u>	<u>45,182</u>
<b>Total assets less current liabilities</b>		<u>69,945</u>	<u>62,375</u>
<b>Creditors due after more than one year</b>	15	(27,309)	(27,129)
<b>Provisions for liabilities and charges</b>			
Deferred tax	17	(130)	(180)
Pension liability	18	(528)	(542)
		<u>41,978</u>	<u>34,524</u>
<b>Capital and reserves</b>			
Share capital	22	–	–
Profit and loss account	23	41,978	34,524
<b>Shareholder's funds</b>	24	<u>41,978</u>	<u>34,524</u>

The financial statements were approved and authorised for issue by the Directors and are signed on their behalf on 17 March 2015.



A C M Smith  
Director

## Other primary statements

### Statement of total recognised gains and losses

	Note	2014 £'000	2013 £'000
<b>Profit for the financial year</b>		<b>21,181</b>	<b>16,330</b>
Adjustments in respect of defined benefit pension schemes			
Actuarial gains/(losses)	18	416	(1,057)
Deferred tax	17	(143)	123
<b>Total recognised gains and losses relating to the year</b>		<b>21,454</b>	<b>15,396</b>

## Notes to the financial statements

### 1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the Company. All turnover is derived from within the United Kingdom.

### 2 Other operating charges

	2014 £'000	2013 £'000
Administrative expenses	103,780	97,854

### 3 Operating profit

Operating profit is stated after charging:

	2014 £'000	2013 £'000
Amortisation	1,363	1,236
Depreciation of tangible fixed assets	2,737	2,268
Share based payments	670	665
Loss on disposal of fixed assets	6	–
Hire of plant and equipment	2,775	2,218
Operating lease rentals:		
- land and buildings	1,818	1,382
- motor vehicles	14,758	12,350
Exceptional costs		
- Cost of acquisitions	–	200
- Cost of disposal	–	377
- Integration costs	–	5,653

### 4 Auditor's remuneration

Fees payable to the auditor for the period:

	2014 £'000	2013 £'000
For the audit of the Company's financial statements	37	37
For taxation compliance and advice fees	19	7

## Notes to the financial statements - continued

### 5 Employees

The average number of staff employed by the Company, including Directors, during the financial year amounted to:

	2014 No.	2013 No.
Administrative staff	1,520	1,340
Operatives	2,652	2,378
	<u>4,172</u>	<u>3,718</u>

The aggregate payroll costs of the above were:

	2014 £'000	2013 £'000
Wages and salaries	120,547	107,141
Social security costs	11,727	11,424
Other pension costs	5,938	5,279
	<u>138,212</u>	<u>123,844</u>

Included in the above is remuneration in respect of Directors, as follows:

	£'000	£'000
Emoluments receivable	583	465
Value of Company pension contributions to money purchase schemes	59	57
	<u>642</u>	<u>522</u>

Emoluments of highest paid Director:

	£'000	£'000
Total emoluments (excluding pension contributions)	224	201
Value of Company pension contributions to money purchase schemes	15	34
	<u>239</u>	<u>235</u>

The number of Directors who accrued benefits under Company pension schemes was as follows:

	No.	No.
Money purchase schemes	<u>3</u>	<u>3</u>

The number of Directors who exercised share options during the year was as follows:

	No.	No.
Directors who exercised share options	<u>1</u>	<u>1</u>

The Company participates in share based payment schemes operated by its parent undertaking, Mears Group PLC. Mears Group PLC recharged a total of £670,000 (2013: £665,000) to the Company in respect of these schemes.

## Notes to the financial statements - continued

### 6 Net interest

	2014 £'000	2013 £'000
Interest payable on bank borrowing	(2)	(12)
Other interest paid	(74)	(116)
	(76)	(128)
Other interest receivable	925	–
Net income from defined benefit pension schemes	895	1,017
Net interest receivable	1,744	889

### 7 Taxation on ordinary activities

	2014 £'000	2013 £'000
<b>Analysis of charge in the year</b>		
<b>Current tax:</b>		
UK Corporation tax based on the results for the year	5,110	–
Payments for tax losses	519	–
Adjustment in respect of prior periods	(831)	–
Total current tax	4,798	–
<b>Deferred tax:</b>		
Change in tax rate	(53)	(89)
On pension schemes	(78)	183
Accelerated Capital allowances	(50)	–
Other short term timing differences	550	–
Total deferred tax	369	94
Tax on profit on ordinary activities	5,167	94

#### Factors affecting tax charge for the year

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK. During the period the average corporation tax rate was 21.5% (2013: 23.25%).

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation	26,348	16,424
Profit on ordinary activities multiplied by standard rate of tax	5,665	3,819
<b>Effects of:</b>		
Expenses not deductible for tax purposes	128	320
Depreciation for period in excess of capital allowances	98	187
Timing differences on pension payments	84	(203)
Timing differences on provisions	(457)	160
Exercise of share options	111	111
Group relief (not paid)	–	(4,394)
Adjustment to tax in respect of prior periods	(831)	–
Total current tax charge for the year	4,798	–

## Notes to the financial statements - continued

### 8 Dividends on ordinary shares classed as equity

	2014 £'000	2013 £'000
Declared at the year-end:		
Equity dividends of £140,000 per share	<u>14,000</u>	<u>12,000</u>

### 9 Intangible fixed assets

	Development expenditure £'000	Other intangibles £'000	Goodwill £'000
<b>Cost</b>			
At 1 January 2014	5,997	224	4,970
Additions	1,386	–	–
<b>At 31 December 2014</b>	<u>7,383</u>	<u>224</u>	<u>4,970</u>
<b>Amortisation</b>			
At 1 January 2014	2,947	224	4,699
Charge for the year	1,129	–	234
<b>At 31 December 2014</b>	<u>4,076</u>	<u>224</u>	<u>4,933</u>
<b>Net book value</b>			
<b>At 31 December 2014</b>	<u>3,307</u>	<u>–</u>	<u>37</u>
At 31 December 2013	<u>3,050</u>	<u>–</u>	<u>271</u>

Development expenditure relates to the development of the Company's job management system which is amortised over its useful economic life of 5 years.

Goodwill represents the excess of purchase price over net assets in respect of the acquisition of a number of social housing businesses.

Other intangibles represent intellectual property.

## Notes to the financial statements - continued

### 10 Tangible fixed assets

	Leasehold property improvements £'000	Software £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
<b>Cost</b>						
At 1 January 2014	6,999	677	1,225	519	14,666	24,086
Additions	94	1,434	682	12	1,107	3,329
Transferred in	1,097	18	12	–	2,119	3,246
Disposals	–	–	(1)	(24)	–	(25)
<b>At 31 December 2014</b>	<b>8,190</b>	<b>2,129</b>	<b>1,918</b>	<b>507</b>	<b>17,892</b>	<b>30,636</b>
<b>Depreciation</b>						
At 1 January 2014	3,794	326	693	489	8,946	14,248
Charge for the year	717	206	220	9	1,585	2,737
Transferred in	1,058	12	4	–	1,970	3,044
Eliminated on disposal	–	–	(1)	(18)	–	(19)
<b>At 31 December 2014</b>	<b>5,569</b>	<b>544</b>	<b>916</b>	<b>480</b>	<b>12,501</b>	<b>20,010</b>
<b>Net book value</b>						
<b>At 31 December 2014</b>	<b>2,621</b>	<b>1,585</b>	<b>1,002</b>	<b>27</b>	<b>5,391</b>	<b>10,626</b>
At 31 December 2013	3,205	351	532	30	5,720	9,838

During the year, the trade and assets of Jackson Lloyd Limited, one of the Company's subsidiaries, were hived up to the Company. The transfers in above represent the transfer of tangible fixed assets from Jackson Lloyd Limited to Mears Limited.

### 11 Investments

<b>Group companies:</b>	<b>£'000</b>
<b>Cost and net book value</b>	
At 1 January 2014 and 31 December 2014	<u>4,034</u>

At 31 December 2014, the Company held 100% of the ordinary equity share capital of the following trading subsidiary undertakings:

Subsidiary	Nature of business	Net assets/ (liabilities) £'000	Profit/(loss) for the period £'000
Jackson Lloyd Limited	Building contractor, Social Housing	(6,007)	97
Plexus UK (First Project) Limited	Housing management services	(6,359)	(220)
Mears New Homes Limited	Building contractor, Social Housing	(474)	(474)

At 31 December 2014, the Company also held the entire issued ordinary share capital of the following dormant companies: Mears Building Services Limited, Mears Scotland (Housing) Limited, Mears Wales Limited, Mears Social Housing Limited, Mears Building Contractors Limited, Mears Energy Limited, Laidlaw Scott Limited, Mears Window and Door Maintenance Limited, Helcim Group Limited, Helcim Homes Limited and Plexus UK (Systems) Limited. All subsidiaries are incorporated in the United Kingdom.

## Notes to the financial statements - continued

### 12 Stocks

	2014 £'000	2013 £'000
Raw materials	4,374	3,024
Work in progress	2,591	4,951
	<u>6,965</u>	<u>7,975</u>

### 13 Debtors

	2014 £'000	2013 £'000
Trade debtors	22,875	23,881
Other debtors	893	3,029
Amounts recoverable on contracts	68,732	72,314
Prepayments and accrued income	3,712	3,578
Amounts owed by group undertakings	27,729	–
Corporation tax	–	394
	<u>123,941</u>	<u>103,196</u>

The debtors above include the following amounts falling due after more than one year:

Amounts owed by group undertakings	<u>27,729</u>	<u>–</u>
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### 14 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	74,058	64,193
Corporation tax	2,271	–
Other taxation and social security	14,909	13,958
Due to customers for non-construction contract work	4,016	544
Other creditors	2,509	1,142
Accruals and deferred income	22,004	29,097
	<u>119,767</u>	<u>108,934</u>

### 15 Creditors: amounts falling due after more than one year

	2014 £'000	2013 £'000
Amounts owed to group undertakings	26,984	26,729
Other creditors	325	400
	<u>27,309</u>	<u>27,129</u>



## Notes to the financial statements - continued

### 16 Financial instruments

The Company uses financial instruments, other than derivatives, comprising borrowings, cash and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to finance the Company's operations.

The main risks arising from the Company's financial instruments are liquidity risk and credit risk.

The Company seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Company has no overdraft.

Trade debtors are normally due within 30 to 60 days. All trade debtors are subject to credit risk exposure. However there is no specific concentration of credit risk as the amounts recognised represent a large number of receivables from various customers.

The Company has no interests in the trade of financial instruments, interest rate swaps or forward interest rate agreements.

### 17 Deferred tax

#### Deferred tax assets and liabilities

	Accelerated capital allowances £'000	Other short term timing differences £'000	Total £'000
At 1 January 2013	(180)	–	(180)
Deferred tax charge in profit and loss account			
– Change in tax rate	16	–	16
– On origination and reversal of timing differences	(16)	–	(16)
At 1 January 2014	(180)	–	(180)
Transferred in with liabilities	–	550	550
Deferred tax charge in profit and loss account			
– Change in tax rate	–	–	–
– On origination and reversal of timing differences	50	(550)	(500)
At 31 December 2014	(130)	–	(130)

#### Pension scheme deferred tax asset

The pension scheme liability has been disclosed net of the related deferred tax asset.

	2014 £'000	2013 £'000
At 1 January	144	115
Deferred tax charge in profit and loss account		
– Change in tax rate	53	89
– On origination and reversal of timing differences	78	(183)
Deferred tax credited to the statement of total recognised gains and losses:		
– Change in tax rate	(60)	(99)
– On origination and reversal of timing differences	(83)	222
At 31 December	132	144

Deferred tax is calculated on temporary differences under the liability method.

## Notes to the financial statements - continued

### 18 Pension commitments

The Company participates in a number of multi-employer defined benefit pension schemes for the benefit of certain employees within the Company. The assets of the schemes are administered by trustees in a fund independent from the assets of the Company.

Costs and liabilities of the scheme are based on actuarial valuations. The actuarial valuations were reviewed on TUPE transfers and updated to 31 December 2014 by a qualified independent actuary using the projected unit method.

When a new contract is taken on, generally the defined benefit schemes are fully funded. Once the Company has gained administration status of that scheme, it will recognise the deficits or surpluses (subject to the limits defined within FRS 17 – Retirement Benefits).

The amount of surplus recognised as an asset is limited to the amount that the Company can use to generate future economic benefits. As it is unlikely that the Company will obtain an economic benefit at the end of those contracts for which surpluses have been calculated at the balance sheet date, the surpluses have not been recognised as assets.

The Company participates in a multi-employer pension scheme arrangement where it is currently unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the Company has accounted for its contributions to the scheme as if it were a defined contribution scheme. The deficit in the total scheme as at 31 December 2014 was £4,818,000 (31 December 2013: £3,173,000).

The following disclosures are aggregated results of the remaining defined benefit schemes.

The Company expects to contribute £2.32m to its defined benefit pension plans in 2015.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2014 %	2013 %
Discount rate at 31 December	4.00	4.60
Future salary increases – first year	1.00	1.00
Future salary increases – second year	2.20	1.00
Future salary increases – long term	3.25	3.35
Future pension increases – capped at 5%, based on RPI	3.15	3.25
Future pension increases – capped at 3%, based on RPI	2.50	2.55
Future pension increases – capped at 5%, based on CPI	2.35	2.45
Future pension increases – capped at 3%, based on CPI	2.05	2.10
RPI inflationary growth	3.25	3.35
CPI inflationary growth	2.35	2.45

The mortality assumptions used were as follows:

	2014 years	2013 years
Longevity at age 65 for current pensioners		
– Males	22.5	21.7
– Females	24.9	24.2
Longevity at age 65 for future pensioners		
– Males	24.6	23.6
– Females	27.2	26.3

## Notes to the financial statements - continued

### 18 Pension commitments - continued

The assets in the scheme and the expected rates of return were:

	2014 £'000	2013 £'000
Equities	108,161	84,173
Bonds	36,678	30,804
Property	12,959	11,253
Guarantees	6,776	485
Other	16,779	21,309
<b>Total market value of assets</b>	<b>181,353</b>	<b>148,024</b>
<b>Present value of scheme liabilities</b>	<b>(169,104)</b>	<b>(125,638)</b>
<b>Surplus in scheme</b>	<b>12,249</b>	<b>22,386</b>
<b>Scheme surplus not recognised as assets</b>	<b>(12,909)</b>	<b>(23,072)</b>
<b>Pension liability</b>	<b>(660)</b>	<b>(686)</b>
<b>Related deferred tax asset</b>	<b>132</b>	<b>144</b>
<b>Net pension liability</b>	<b>(528)</b>	<b>(542)</b>

Reconciliation of the present value of the defined benefit obligation:

	2014 £'000	2013 £'000
Opening defined benefit obligation	125,638	106,505
Service cost	3,885	2,994
Past service cost	101	209
Interest cost	6,692	5,096
Actuarial loss	14,229	9,777
Contributions by scheme participants	1,195	1,091
Liabilities assumed on TUPE transfers	20,241	2,340
Benefits paid	(2,877)	(2,389)
Settlements & curtailments	-	15
<b>Closing defined benefit obligation</b>	<b>169,104</b>	<b>125,638</b>

Reconciliation of fair value of scheme assets:

	2014 £'000	2013 £'000
Opening fair value of plan assets	148,024	126,475
Expected return	7,587	6,113
Actuarial gain	4,482	10,975
Contributions by employer	2,751	3,131
Contributions by scheme participants	1,195	1,091
Assets acquired on TUPE transfers	20,241	2,687
Benefits paid	(2,927)	(2,448)
<b>Closing fair value of plan assets</b>	<b>181,353</b>	<b>148,024</b>

## Notes to the financial statements - continued

### 18 Pension commitments - continued

Scheme assets do not include any of Mears Limited's own financial instruments, or any property occupied by Mears Limited.

The expected return on scheme assets was determined by considering the expected returns available on the assets underlying the current investment policy. Mears Limited considered the expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolios are invested and the expectations for future returns of each class of asset. The expected returns for each asset class were then weighted based on the asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The amounts recognised in profit or loss are as follows:

	2014 £'000	2013 £'000
<i>Analysis of the amount charged to operating profit:</i>		
Current service cost	3,935	3,053
Past service cost	101	209
Settlements & curtailments	–	15
<i>Analysis of the amount credited to finance income:</i>		
Expected return on plan assets	(7,587)	(6,113)
Interest on obligation	6,692	5,096
<b>Total</b>	<b>3,141</b>	<b>2,260</b>

The amounts recognised in statement of recognised gains and losses are as follows:

	2014 £'000	2013 £'000
Actuarial gain on pension scheme assets	4,482	10,975
Actuarial loss on pension scheme liabilities	(14,229)	(9,777)
	(9,747)	1,198
Actuarial gain on TUPE transfer of employees	–	347
Effect of limitation on surplus recognition	(12,909)	(23,072)
Reversal of previously unrecognised surplus	23,072	20,470
<b>Actuarial gains/(losses)</b>	<b>416</b>	<b>(1,057)</b>
<b>Cumulative actuarial losses recognised</b>	<b>(7,165)</b>	<b>(7,581)</b>

## Notes to the financial statements - continued

### 18 Pension commitments - continued

Amounts for the current and previous periods are as follows:

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Defined benefit obligation	(169,104)	(125,638)	(106,505)	(65,618)	(74,666)
Plan assets	181,353	148,024	126,475	70,951	72,924
Surplus / (deficit)	12,249	22,386	19,970	5,333	(1,742)
Experience adjustments on plan liabilities					
- £'000	(7,522)	513	20	8,544	(304)
- % of scheme liabilities	(4.45)	0.41	0.02	13.0	(0.41)
Gain / (loss) on plan assets:					
- £'000	4,482	10,975	231	(11,327)	3,057
- % of scheme assets	2.47	7.41	0.2	(16.0)	4.2
Changes in assumptions underlying the present value of the scheme liabilities:					
- £'000	14,229	(1,172)	(1,716)	18,753	(5,956)
- % of scheme liabilities	8.41	(0.93)	(1.61)	28.6	(8.0)

### 19 Leasing commitments

At 31 December 2014 the Company had annual commitments under non-cancellable operating leases as set out below:

	2014		2013	
	Land and buildings £'000	Other items £'000	Land and Buildings £'000	Other items £'000
Operating leases which expire:				
Within 1 year	164	2,353	227	1,487
Within 2 to 5 years	368	8,194	607	10,050
After more than 5 years	539	-	531	-

### 20 Contingent liabilities

Mears Limited and the other companies in the group headed by Mears Group PLC have entered into a Composite Accounting Agreement with the Bank, whereby each Company has provided a guarantee to the Bank and, under the terms of the guarantees, the Bank is authorised to allow set-off for interest purposes and in certain circumstances to set-off debit and credit balances within the Composite Accounting System. The Bank has a fixed and floating charge over the assets of Mears Limited in respect of this arrangement.

The Company has made guarantees that it will complete certain contracts. The value of these commitments at 31 December 2014 was £17.2m (2013: £15.8m).

## Notes to the financial statements - continued

### 21 Related party transactions

As a wholly owned subsidiary of Mears Group PLC, the Company is exempt from the requirement of Financial Reporting Standard 8: Related Party Disclosures to disclose transactions with other members of the Group headed by Mears Group PLC on the grounds that Group accounts are publicly available.

#### *Transactions with other related parties*

During the year the Company purchased customer care related services from Asert LLP, a company in which Mears Group PLC is a 50% partner, totalling £95,000 (2013: £119,000). During the year the Company provided support and payroll services to Asert LLP totalling £101,000 (2013: £181,000). At 31 December 2014 the Company was owed £258,000 (2013: £270,000) by Asert LLP.

During the year the Company purchased call centre related services from Mears 24/7 LLP, a company in which Mears Limited is a 50% partner, totalling £1,699,000 (2013: £1,725,000). During the year the Company provided support services and shared property costs of £756,000 (2013: £800,000), and loans of £620,000 (2013: £90,000). At 31 December 2014 the Company owed £59,000 (2013: £79,000) to Mears 24/7 LLP.

### 22 Share capital

#### Authorised, allotted, called up and fully paid share capital

	2014 £	2013 £
100 ordinary shares of £1 each	100	100

### 23 Reserves

	Profit and loss account £'000
At 1 January 2014	34,524
Profit for the year	21,181
Equity dividends	(14,000)
Actuarial gain on the defined benefit pension scheme net of deferred tax	273
At 31 December 2014	41,978

### 24 Reconciliation of movements in shareholder's funds

	2014 £'000	2013 £'000
Opening shareholder's funds	34,524	31,128
Profit for the financial year	21,181	16,330
Equity dividends declared	(14,000)	(12,000)
Actuarial gain/(loss) on the defined benefit pension scheme net of deferred tax	273	(934)
Closing shareholder's funds	41,978	34,524

## Notes to the financial statements - continued

### **25 Ultimate parent company**

The Directors consider that the ultimate parent undertaking and controlling related party of this Company is its parent undertaking Mears Group PLC by virtue of its 100% shareholding.

The largest and smallest group of undertakings for which Group accounts have been drawn up is that headed by Mears Group PLC. The accounts are available from The Company Secretary, Mears Limited, 1390 Montpellier Court, Gloucester Business Park, Brockworth, Gloucester GL3 4AH.