



Mears Limited
Financial Statements
For the year ended 31 December 2017



Company No. 02519234

Company information

Company registration number

02519234

Registered office

1390 Montpellier Court
Gloucester Business Park
Brockworth
Gloucester
GL3 4AH

Directors

G R Eden
C E Middlemass
D J Miles
D C Pace
A C M Smith
B R Westran
Mears Group PLC

Secretary

B R Westran

Bankers

Barclays Bank PLC
Corporate Banking
4th Floor Bridgwater House
Counterslip
Finzels Reach
Bristol
BS1 6BX

Solicitors

BPE
St James' House
St James' Square
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Gloucestershire
GL50 3PR

Auditor

Grant Thornton UK LLP
Chartered Accountants
30 Finsbury Square
London
EC2A 1AG

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Strategic Report

Business review

Review of the year

The Company has delivered a pleasing financial performance with turnover of £519.2m (2016: £539.3m), a decrease of 4%, reflecting unforeseeable delays in the delivery of our planned workloads, particularly in the second half year.

Business development

The Directors are pleased with the progress made by the business. We have positioned ourselves to provide a broader service offering to a market where we are seeing an increasing blurring of the boundaries between social, affordable and private rented housing. Whilst we have increased the depth and breadth of our capabilities, we place particular emphasis upon ensuring that our wide spectrum of core skills is entwined within the single operating unit, which is important given the increasingly complex housing challenges being faced by our clients.

The Directors anticipate that this broader service offering will be a key driver for winning new work in future and consider that the Company is well positioned as a leading provider of housing management services to the public sector.

Key Performance Indicators (KPIs)

"Excellent" service rating

In order for customers to recommend us, we must deliver excellent service. We randomly conduct a significant number of customer surveys per year. We achieved a rating of "excellent" in 92% of cases in 2017 (2016: 91%).

Customer complaints as a percentage of jobs

Incidents resulting from poor service result in a complaint. We are committed to dealing with all complaints on an individual basis. We maintained our complaints level at 0.27% in 2017 (2016: 0.27%).

Turnover growth

Turnover represents the amounts due for goods and services provided during the year. The decline for 2017 of 4% (2016: growth 7%) represents the impact of delays following the tragic events at Grenfell Tower, which impacted on the delivery of planned workloads throughout the second half year.

Operating margin

Our operating margin of 3.7% (2016: 4.6%) reflects the impact delays to workload delivery have had overhead recovery, particularly during the second half year.

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.

Strategic Report - continued

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, to deliver business objectives.

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 access to the Group's 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 November 2022.

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.

This report was approved by the Board on 20 March 2018 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 2017.

Principal activities

The principal activity of the Company during the year continued to be the provision of a full housing management service, predominately to Local Authorities and other Registered Providers of Social Housing.

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 £17,653,000 (2016: £20,308,000).

The directors have recommended a dividend of £46,908,000 for 2017 (2016: £20,000,000). Particulars of dividends paid and proposed are detailed in note 7 to the financial statements.

Directors

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

G R Eden
C E Middlemass
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 63 days of average supplies for the year (2016: 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.

Report of the Directors - continued

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.

Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

Report of the Directors - continued

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. In making their enquiries, the Directors considered a period of five years and the forecasts used therefore covered the same period. 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 20 March 2018 and signed on its behalf.



B R Westran
Director

Independent auditor's report to the member of Mears Limited

Opinion

We have audited the financial statements of Mears Limited for the year ended 31 December 2017 which comprise the Profit and loss account, the Balance sheet, the Statement of other comprehensive income, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (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 December 2017 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.

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.

Who we are reporting to

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.

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.

Independent auditor's report to the member of Mears Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the strategic report and report of the directors on pages 3 to 7, 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 matter 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.
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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 any material misstatements in the Strategic Report and Directors' Report.

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.

Independent auditor's report to the member of Mears Limited (continued)

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities Statement set out on page 6, 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.

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 on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Elizabeth Collins

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

20 March 2018

Principal accounting policies

Statement of compliance

Mears Limited is a limited liability company incorporated in the United Kingdom. Its registered office is 1390 Montpellier Court, Gloucester Business Park, Brockworth, Gloucester, GL3 4AH.

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 December 2017.

Basis of accounting

The financial statements of Mears Limited have been prepared in accordance with applicable accounting standards, including FRS 102, and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis and are presented in Sterling.

Summary of disclosure exemptions

The Company has taken advantage of the reduced disclosures for subsidiary entities provided for in FRS 102 and has therefore not provided a Statement of Cash Flows or certain disclosures in respect of share based payments. The Company has also taken advantage of the exemption from disclosing key management personnel compensation.

Name of parent of group

These financial statements are consolidated in the financial statements of Mears Group PLC.

The financial statements of Mears Group PLC may be obtained from The Company Secretary, Mears Group PLC, 1390 Montpellier Court, Gloucester Business Park, Gloucester, GL3 4AH.

Exemption from preparing group accounts

The financial statements contain information about Mears Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Mears Group PLC, a company incorporated in the United Kingdom.

Significant judgements

Turnover is recognised based on the stage of completion of job or contract activity. As described in the Turnover section, certain types of Social Housing pricing mechanisms require minimal judgement; however, Social Housing lump sum contracts and construction contracts do require judgements and estimates to be made to determine the stage of completion and the expected outcome for the individual contract.

Where the Company has a contractual obligation to make good any deficit in its share of a Local Government Pension Scheme but also has the right to recover the costs of making good any deficit from the Company's client, the fair value of that asset has been recognised and disclosed. The right to recover costs is limited to exclude situations where the Company causes the scheme to incur service costs in excess of those which would have been incurred were the members employed within Local Government. The Directors have made judgements in respect of whether any of the deficit is as a result of such situations.

The right to recover costs is also limited to situations where the cap on employer contributions to be suffered by the Company is not set so as to contribute to reducing the deficit in the scheme. The Directors, in conjunction with the scheme actuaries, have made judgements in respect of the predicted future service cost and contributions to the scheme to reflect this in the fair value of the asset recognised. Movements in the guarantee asset are taken to profit and loss and to other comprehensive income to match the movement in pension assets and liabilities.

Principal accounting policies - continued

Key sources of estimation uncertainty

Defined benefit pension scheme

A number of key estimates have been made, which are given below, which are largely dependent on factors outside the control of the Company:

- inflation rates;
- mortality;
- discount rate; and
- salary and pension increases.

Details of the particular estimates used and sensitivity analysis are included in the pensions note.

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the Company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Turnover

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

Turnover is recognised when the outcome of a job or contract can be estimated reliably; turnover associated with the transaction is recognised by reference to the stage of completion of work at the balance sheet date. The outcome of the transaction is deemed to be able to be estimated reliably when all the following conditions are satisfied:

- the amount of turnover 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.

Whilst all Social Housing contracts can fit within the guidelines laid down for turnover recognition as detailed above, the alternative contractual pricing mechanisms do result in different methods of assessing the stage of completion.

There are some contracts where the Company is entitled to a fee to reimburse the costs relating to a new contract start-up. This fee is sometimes paid on commencement or paid in instalments over an extended period. Where the contractual entitlement to this income crystallises upon commencement, the turnover is recognised. All costs relating to pre-commencement and mobilisation are written off as they are incurred.

There are numerous contractual pricing mechanisms but one can broadly divide these into four types.

Principal accounting policies - continued

Schedule of Rates (SOR) contracts

There is an element of SOR in the majority of contracts. At tender stage we enter a price for each of the numerous tasks carried out in respect of property maintenance. Typically we price for uplift or a discount against a pre-priced schedule. This price will, in some cases, be an all-encompassing price for the cost of direct works, the local site overhead, central overhead and profit contribution. In other instances, the SOR tendered may only recover direct works with an alternative mechanism to recover the other elements. Wherever possible, we seek to identify all works tickets received individually and capture costs and billing at the individual work ticket level. In so doing, this allows turnover to be recognised with a high degree of accuracy. Typically, reactive maintenance works are invoiced within a month of completion, hence the majority of turnover recognised has already been valued at the individual work ticket level and the significant majority has been subsequently settled. The only element of turnover or profit recognition that requires judgement is against those jobs that are part complete or those completed works that have not been subject to a final valuation.

For part completed works, consideration needs to be given as to whether the Company will recover the transaction costs incurred. Whether the outcome of the transaction can be estimated reliably needs to be considered contract by contract based on historic outcomes and knowledge of any events that may affect future job profitability. Where the outcome of the transaction cannot be estimated reliably, turnover is recognised only to the extent that the costs incurred are anticipated to be recovered. Where the outcome of the transaction can be estimated reliably, an element of anticipated profit is recognised within turnover to the extent that historic outcomes adjusted for knowledge of any events that may affect future job profitability support such recognition.

For completed but not yet priced works, the outcome of the individual valued work tickets is not reviewed individually for the purposes of profit and turnover recognition. However, given the high volume of historical data to provide an accurate indication of underlying contract margin at a particular site, the Company considers that the application of an anticipated profit margin on cost to all completed and unbilled works produces a reliable measure.

For completed and priced works, the likely outcome for the individual work ticket can be determined individually for the purposes of profit and turnover recognition. The Company considers that the recognition of the anticipated profit for the individual job within turnover is appropriate.

Full provision is made in respect of any job if a future loss is foreseen.

Open book contracts

Typically the open book element of contracts relates to the local site overhead. A priced overhead model is usually provided to a client at tender stage and the client pays the Company a fixed sum for maintaining this local site. This is typically an agreed fixed price. Turnover is recognised in line with cost incurred and similarly the attributable profit recognised against that cost.

Any over or underspends are typically at the risk of the Company. The actual overhead spend is often subject to an open book review which is then used as the basis for agreeing future pricing.

On the rare occasions that a contract does recover costs under a pure 'cost plus' arrangement, turnover is recognised in line with cost incurred and similarly the attributable profit recognised against that cost.

Full provision is made in respect of any contract if a future loss is foreseen.

Lump sum contracts

This type of contract is becoming more commonplace. To avoid the onerous burden of administering a high volume, low value activity, the pricing mechanism is reduced to either a price per ticket or a price per property. Historically, many gas servicing and breakdown contracts have been procured on a lump sum basis. However, it is now becoming increasingly common within the reactive maintenance environment. There is typically an exclusions list for works that are not considered repairs and not deemed to fall within the lump sum price. It is normal for this excluded element of the works to be billed under an SOR arrangement.

Principal accounting policies - continued

For practical purposes, in the majority of lump sum contracts, turnover is recognised on a straight-line basis over the contract term. There is not a material impact of seasonality in a client's reactive maintenance spend (in terms of either volume or value of orders received). In terms of the lump sum element of the contract, the turnover is split evenly across the twelve monthly reporting periods. No element of turnover is either advanced or deferred.

There are a small number of lump sum contracts where recognising turnover on a straight-line basis would be inappropriate. These are contracts where the phasing of the works over the contract term varies materially over the period of the contract and there is a mismatch between the delivery of works and the timing of invoicing against those works. For these contracts, the Company has historically reverted to recognising turnover based on the proportion of costs incurred to date compared with the estimated total costs of the contract.

Full provision is made in respect of any contract if a future loss is foreseen.

Rental income

Rental income relating to Housing Management activities is recognised in the Consolidated Income Statement on a straight-line basis over the term of the lease.

Where initial costs are required to make good the housing to perform Housing Management activities, a straight-line basis of revenue recognition would not be appropriate. Where there are initial costs, revenue is recognised based on the proportion of costs incurred to date compared with the estimated total costs of the contract. Full provision is made in respect of any contract if a future loss is foreseen.

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Intangible assets

Development expenditure relating to computer software is capitalised when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use;
- The intention to complete the software and use it;
- The availability of adequate technical, financial and other resources to complete the development and to use the software;
- How the software will generate probable future economic benefits; and
- The ability to measure reliably the expenditure attributable to the software during its development.

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
Software	-	25% per annum, reducing balance
Other intangibles	-	20% per annum, straight line

Goodwill

Goodwill is amortised over its useful life, which shall not exceed five years if a reliable estimate of the useful life cannot be made.

Principal accounting policies - continued

Tangible 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
Plant and machinery	-	25% per annum, reducing balance
Motor vehicles	-	25% per annum, reducing balance
Fixtures, fittings and equipment	-	25% per annum, reducing balance

Stocks 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.

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

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

Principal accounting policies - continued

Financial instruments

Financial assets and liabilities are recognised in the Balance Sheet when the Company becomes party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Company are as follows:

Financial assets

Basic financial assets, including trade and other debtors, amounts owed by Group companies, cash and cash equivalents, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Cash and cash equivalents include cash at bank and in hand and bank deposits available with no notice or less than three months' notice from inception that are subject to an insignificant risk of changes in value. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset with cash balances.

Financial liabilities

Basic financial liabilities, including trade and other creditors, accrued expenses, and amounts owed to Group companies that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Financial liabilities are derecognised when the liability is extinguished; that is, when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Principal accounting policies - continued

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 Black-Scholes 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.

Shares

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

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.

Reserves

Called up share capital represents the nominal value of shares that have been issued.

Profit and loss account includes all current and prior period retained profits and losses.

Profit and loss account

	Note	2017 £ 000	2016 £ 000
Turnover	1	519,184	539,256
Cost of sales		<u>(394,098)</u>	<u>(397,974)</u>
Gross profit		125,086	141,282
Other operating charges		<u>(106,649)</u>	<u>(116,777)</u>
Operating profit	2	18,437	24,505
Finance income	5	1,648	1,489
Finance costs	5	<u>(2,130)</u>	<u>(1,637)</u>
Profit on ordinary activities before tax		17,955	24,357
Tax on profit on ordinary activities	6	<u>(302)</u>	<u>(4,049)</u>
Profit for the financial year		<u>17,653</u>	<u>20,308</u>

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

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

Balance sheet

	Note	2017 £ 000	2016 £ 000
Fixed assets			
Intangible assets	8		
Development expenditure		6,111	4,638
Goodwill		1,260	1,889
Software		2,893	1,890
Tangible assets	9	12,369	10,350
Investments	10	527	887
		<u>23,160</u>	<u>19,654</u>
Current assets			
Stocks	11	5,117	8,357
Debtors	12	175,556	162,357
Cash at bank and in hand		1,438	26,695
		<u>182,111</u>	<u>197,409</u>
Creditors: amounts falling due within one year	13	<u>(107,935)</u>	<u>(118,317)</u>
Net current assets		<u>74,176</u>	<u>79,092</u>
Total assets less current liabilities		<u>97,336</u>	<u>98,746</u>
Creditors due after more than one year	14	<u>(83,870)</u>	<u>(56,138)</u>
Provisions for liabilities and charges			
Pension liability	18	<u>(1,522)</u>	<u>(2,214)</u>
		<u>11,944</u>	<u>40,394</u>
Capital and reserves			
Called up share capital	21	-	-
Profit and loss account		<u>11,944</u>	<u>40,394</u>
Shareholder's funds		<u>11,944</u>	<u>40,394</u>

The financial statements were approved and authorised for issue by the Directors and are signed on their behalf on 20 March 2018.



B R Westran
Director

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

Statement of other comprehensive income

Statement of other comprehensive income

	Note	2017 £ 000	2016 £ 000
Profit for the financial year		17,653	20,308
Adjustments in respect of defined benefit pension schemes			
Actuarial gains/(losses)	18	994	(1,193)
Deferred tax	16	(189)	176
		<u>805</u>	<u>(1,017)</u>
Total recognised gains and losses relating to the year		<u>18,458</u>	<u>19,291</u>

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

Statement of changes in equity

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2016	-	41,103	41,103
Profit for the year	-	20,308	20,308
Other comprehensive income	-	(1,017)	(1,017)
Total comprehensive income	-	19,291	19,291
Dividends	-	(20,000)	(20,000)
At 31 December 2016	-	40,394	40,394
	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2017	-	40,394	40,394
Profit for the year	-	17,653	17,653
Other comprehensive income	-	805	805
Total comprehensive income	-	18,458	18,458
Dividends	-	(46,908)	(46,908)
At 31 December 2017	-	11,944	11,944

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

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 Operating profit

Operating profit is stated after charging:

	2017 £ 000	2016 £ 000
Amortisation	3,322	2,872
Depreciation of tangible fixed assets	2,902	2,519
Share based payments	826	1,008
Loss on disposal of fixed assets	-	50
Hire of plant and equipment	2,301	2,480
Operating lease rentals:		
- land and buildings	1,465	2,276
- motor vehicles	10,999	15,084

3 Auditors' remuneration

Fees payable to the auditor for the period:

	2017 £ 000	2016 £ 000
For the audit of the Company's financial statements	38	42

4 Employees

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

	2017 No.	2016 No.
Administrative staff	1,116	1,607
Operatives	2,191	2,347
	3,307	3,954

Notes to the financial statements (continued)

4 Employees (continued)

The aggregate payroll costs of the above were:

	2017 £ 000	2016 £ 000
Wages and salaries	97,174	122,428
Social security costs	8,835	11,815
Other pension costs	3,290	4,860
	<u>109,299</u>	<u>139,103</u>

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

	2017 £ 000	2016 £ 000
Emoluments receivable	534	562
Value of Company pension contributions to money purchase schemes	55	51
	<u>589</u>	<u>613</u>

Emoluments of highest paid Director:

	£ 000	£ 000
Total emoluments (excluding pension contributions)	211	210
Value of Company pension contributions to money purchase schemes	27	23
	<u>238</u>	<u>233</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>3</u>	<u>2</u>

The Company participates in share based payment schemes operated by its parent undertaking, Mears Group PLC. Mears Group PLC recharged a total of £826,000 (2016: £1,008,000) to the Company in respect of these schemes.

Notes to the financial statements (continued)

5 Net interest

	2017 £ 000	2016 £ 000
Other interest paid	-	(26)
Interest payable on loans from group undertakings	<u>(2,130)</u>	<u>(1,611)</u>
	(2,130)	(1,637)
Interest receivable on bank borrowing	19	8
Interest receivable on loans to group undertakings	1,515	1,374
Other interest receivable	14	3
Net income from defined benefit pension schemes	<u>100</u>	<u>104</u>
Net interest payable	<u>(482)</u>	<u>(148)</u>

6 Taxation on ordinary activities

	2017 £ 000	2016 £ 000
Analysis of charge in the year		
Current tax:		
UK Corporation tax based on the results for the year	580	3,922
Adjustment in respect of prior periods	<u>(95)</u>	<u>137</u>
Total current tax	485	4,059
Deferred tax:		
Change in tax rate	(57)	(45)
On pension schemes	-	(95)
Accelerated capital allowances	<u>(126)</u>	<u>130</u>
Total deferred tax	<u>(183)</u>	<u>(10)</u>
Tax on profit on ordinary activities	<u>302</u>	<u>4,049</u>

Notes to the financial statements (continued)

6 Taxation on ordinary activities (continued)

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 19.25% (2016: 20%).

	2017 £ 000	2016 £ 000
Profit on ordinary activities before taxation	17,955	24,357
Profit on ordinary activities multiplied by standard rate of tax	3,456	4,871
Effects of:		
Expenses not deductible for tax purposes	310	113
Effect of tax losses	(73)	-
Deferred tax credit relating to changes in tax rates or laws	-	(45)
Capital allowances in excess of depreciation/depreciation in excess of capital allowances	(52)	252
Tax increase from other short-term timing differences	48	-
Tax decrease arising from group relief	(3,182)	(1,346)
Timing differences on pension payments	1	5
Timing differences on exercise of share options	(111)	62
Adjustment to tax in respect of prior periods	(95)	137
Total tax charge for the year	302	4,049

7 Dividends on ordinary shares classed as equity

	2017 £ 000	2016 £ 000
Declared at the year-end:		
Equity dividends of £469,080 per share	46,908	20,000

Notes to the financial statements (continued)

8 Intangible fixed assets

	Development expenditure £ 000	Software £ 000	Other intangibles £ 000	Goodwill £ 000	Total £ 000
Cost					
At 1 January 2017	11,528	3,729	224	8,117	23,598
Additions	<u>3,217</u>	<u>1,951</u>	<u>-</u>	<u>-</u>	<u>5,168</u>
At 31 December 2017	<u>14,745</u>	<u>5,680</u>	<u>224</u>	<u>8,117</u>	<u>28,766</u>
Amortisation					
At 1 January 2017	6,890	1,839	224	6,228	15,181
Charge for the year	<u>1,744</u>	<u>948</u>	<u>-</u>	<u>629</u>	<u>3,321</u>
At 31 December 2017	<u>8,634</u>	<u>2,787</u>	<u>224</u>	<u>6,857</u>	<u>18,502</u>
Carrying amount					
At 31 December 2017	<u>6,111</u>	<u>2,893</u>	<u>-</u>	<u>1,260</u>	<u>10,264</u>
At 31 December 2016	<u>4,638</u>	<u>1,890</u>	<u>-</u>	<u>1,889</u>	<u>8,417</u>

Development expenditure is internally generated and relates to the development of the Company's job management system, which is amortised over its useful economic life of five years. Software, other intangibles and goodwill are separately acquired.

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.

Amortisation of intangible assets is included within other operating charges.

Notes to the financial statements (continued)

9 Tangible fixed assets

	Leasehold property improvements £ 000	Plant and machinery £ 000	Motor vehicles £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation					
At 1 January 2017	9,558	1,943	507	20,621	32,629
Additions	1,805	40	-	3,076	4,921
At 31 December 2017	11,363	1,983	507	23,697	37,550
Depreciation					
At 1 January 2017	6,882	1,357	492	13,548	22,279
Charge for the year	640	154	4	2,104	2,902
At 31 December 2017	7,522	1,511	496	15,652	25,181
Carrying amount					
At 31 December 2017	3,841	472	11	8,045	12,369
At 31 December 2016	2,676	586	15	7,073	10,350

10 Investments

Subsidiaries	£ 000
Cost	
At 1 January 2017	887
Disposals	(360)
At 31 December 2017	527
Carrying amount	
At 31 December 2017	527
At 31 December 2016	887

Details of undertakings

Subsidiary	Nature of business	Holding %	Net assets/ (liabilities) £ 000	Profit/(loss) for the period £ 000
Mears New Homes Limited	Building contractor, social housing	90	(1,077,000)	869,000
Plexus UK (First Project) Limited	Housing management services	100	(5,614,000)	(1,430,000)
Mears Learning Limited	Training provider	90	(184,000)	13,000
Mears 24/7 LLP	Call centre services	50	44,000	43,000

Notes to the financial statements (continued)

10 Investments (continued)

All of the above subsidiaries have a year end of 31 December. At 1 January 2016 the Company reassessed the level of influence it held over Mears 24/7 LLP and concluded that the threshold for control had been met. Therefore, in accordance with FRS 102, the Company has accounted for this entity as a subsidiary from that date.

At 31 December 2017, the Company also held an interest in the entire issued ordinary share capital of the following dormant companies:

Mears Scotland (Housing) Limited, Mears Wales Limited, Mears Social Housing Limited, Mears Energy Limited, Laidlaw Scott Limited, Helcim Group Limited, Helcim Homes Limited, Plexus UK (Systems) Limited and Jackson Lloyd Limited. All subsidiaries are incorporated in the United Kingdom.

11 Stocks

	2017 £ 000	2016 £ 000
Raw materials and consumables	3,927	4,025
Work in progress	1,190	4,332
	<u>5,117</u>	<u>8,357</u>

12 Debtors

	Note	2017 £ 000	2016 £ 000
Trade debtors		18,979	15,996
Other debtors		5,104	7,404
Amounts recoverable on contracts		64,177	68,866
Prepayments and accrued income		5,907	3,304
Deferred tax assets	16	485	491
Corporation tax		1,310	313
Amounts owed by group undertakings		79,594	65,983
		<u>175,556</u>	<u>162,357</u>

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

Amounts owed by group undertakings	79,594	65,983
Deferred tax liabilities	485	491
	<u>80,079</u>	<u>66,474</u>

Included within other debtors is a loan to former group company of £3,355,000 which is repayable on demand.

Notes to the financial statements (continued)

13 Creditors: amounts falling due within one year

	2017 £ 000	2016 £ 000
Trade creditors	73,732	76,971
Other taxation and social security	10,365	12,886
Other creditors	2,169	1,593
Accrued expenses	21,115	26,770
Due to customers for non-construction contract work	264	-
Finance lease liabilities	290	97
	<u>107,935</u>	<u>118,317</u>

14 Creditors: amounts falling due after more than one year

	2017 £ 000	2016 £ 000
Amounts owed to group undertakings	83,330	56,138
Finance lease liabilities	540	-
	<u>83,870</u>	<u>56,138</u>

15 Financial instruments

The Company has the following financial instruments:

	2017 £ 000	2016 £ 000
Financial assets that are debt instruments measured at amortised cost		
Trade debtors	18,979	15,996
Amounts owed by group undertakings	79,594	65,983
Other debtors	5,104	7,404
Amounts recoverable on contract	64,177	68,866
	<u>167,854</u>	<u>158,249</u>
Financial liabilities measured at amortised cost		
Trade creditors	73,732	76,971
Amounts owed to group undertakings	83,330	56,138
Other creditors	2,169	1,593
Finance lease liabilities	830	97
	<u>160,061</u>	<u>134,799</u>

Notes to the financial statements (continued)

15 Financial instruments (continued)

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

The Company charges or pays interest at market rate on intragroup loans classified as financing transactions.

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.

16 Deferred tax

Deferred tax assets and liabilities

	Accelerated capital allowances £ 000	Pension scheme £ 000	Total £ 000
At 1 January 2016	200	104	304
Deferred tax charge in profit and loss account			
- Change in tax rate	-	46	46
- On origination and reversal of timing differences	(130)	95	(35)
Deferred tax charge in other comprehensive income			
- Change in tax rate	-	(51)	(51)
- On origination and reversal of timing differences	-	227	227
At 1 January 2017	70	421	491
Deferred tax charge in profit and loss account			
- Change in tax rate	-	57	57
- On origination and reversal of timing differences	126	-	126
Deferred tax charge in other comprehensive income			
- Change in tax rate	-	(189)	(189)
At 31 December 2017	196	289	485

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

Notes to the financial statements (continued)

17 Leasing commitments

Operating leases

The total of future minimum lease payments is as follows:

	2017 £ 000	2016 £ 000
Not later than one year	34,755	12,890
Later than one year and not later than five years	11,861	23,433
Later than five years	-	797
	<u>46,616</u>	<u>37,120</u>

Operating lease payments represent rentals payable by the Company for certain of its office properties used for the purposes of its trade, the hire of vehicles and the hire of other equipment. These leases have durations ranging from three to 15 years. No arrangements have been entered into in respect of contingent rental payments.

18 Pension commitments

This is a defined benefit plan.

Costs and liabilities of the scheme are based on actuarial valuations. The actuarial valuations were reviewed on TUPE transfers and updated to 31 December 2017 by a qualified independent actuary using the projected unit method.

The Company participates in a multi-employer pension scheme arrangement where the Company's parent, Mears Group PLC, is the principal employer and where the Company 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 total deficit in the multi-employer scheme as at 31 December 2017 was £2,574,000 (31 December 2016: £4,884,000).

The Company expects to contribute £826,000 to its defined benefit pension plans in 2018.

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

Defined Benefit Pension Scheme

Principal actuarial assumptions

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

Notes to the financial statements (continued)

18 Pension commitments (continued)

	2017	2016
	%	%
Discount rate	2.70	3.05
Future salary increases - first year	2.00	1.00
Future salary increases - second year	2.00	1.00
Future salary increases - long term	3.10	3.35
Future pension increases - capped at 5% based on RPI	3.05	3.25
Future pension increases - capped at 3% based on RPI	2.45	2.55
Future pension increases - capped at 5% based on CPI	2.25	2.45
Future pension increases - capped at 3% based on CPI	1.95	2.10
RPI Inflationary growth	3.10	3.35
CPI Inflationary growth	2.20	2.45

The mortality assumptions used were as follows:

	2017	2016
	years	years
Longevity at age 65 for current pensioners		
- Males	22.7	22.6
- Females	25.1	25.0
Longevity at age 65 for future pensioners		
- Males	24.7	24.7
- Females	27.2	27.3

Analysis of assets

The major categories of scheme assets are as follows:

	2017	2016
	£ 000	£ 000
Equity	94,096	135,639
Bonds	30,138	44,129
Property	9,998	15,883
Guarantees	2,508	6,402
Other	12,580	18,599
Total market value of assets	149,320	220,652
Present value of scheme liabilities	(130,131)	(209,953)
Surplus in schemes	19,189	10,699
Scheme surpluses not recognised	(20,711)	(12,913)
Pension liability	(1,522)	(2,214)
Related deferred tax asset	289	421
Net pension liability	(1,233)	(1,793)

Notes to the financial statements (continued)

18 Pension commitments (continued)

Defined benefit obligation

Reconciliation of the present value of the defined benefit obligation:

	2017 £ 000	2016 £ 000
Opening defined benefit obligation	209,953	172,233
Service cost	2,577	1,907
Past service cost	20	70
Interest cost	2,970	6,775
Guarantee asset movement	(883)	-
Actuarial loss	(10,385)	32,014
Contributions by scheme participants	484	791
Liabilities assumed on TUPE transfers	(75,768)	-
Benefits paid	(2,021)	(4,076)
Settlements & curtailments	-	239
Acquisitions/business combinations	3,184	-
Closing defined benefit obligation	130,131	209,953
	2017 £ 000	2016 £ 000
Opening fair value of plan assets	220,652	187,060
Expected return	3,007	6,879
Actuarial gain	(1,220)	28,387
Guarantee asset movement	(42)	-
Contributions by employer	1,453	1,505
Contributions by scheme participants	484	791
Assets acquired on TUPE transfers	(75,202)	-
Benefits paid	(2,021)	(4,076)
Administration costs	(36)	(57)
Settlements	-	163
Acquisitions/business combinations	2,245	-
Closing fair value of plan assets	149,320	220,652

Notes to the financial statements (continued)

18 Pension commitments (continued)

The amounts recognised in profit or loss are as follows:

	2017 £ 000	2016 £ 000
<i>Analysis of the amount charged to operating profit:</i>		
Current service cost	2,613	1,850
Past service cost	20	70
Guarantee asset movement	(841)	-
<i>Analysis of the amount credited to finance income:</i>		
Expected return on plan assets	3,007	6,879
Interest on obligation	(2,970)	(6,775)
Total	1,755	1,816

The amounts recognised in other comprehensive income are as follows:

	2017 £ 000	2016 £ 000
Actuarial (loss)/gain on pension scheme assets	(1,220)	28,387
Actuarial gain on TUPE transfer of employees	(373)	-
Actuarial gain/(loss) on pension scheme liabilities	10,385	(32,014)
	8,792	(3,627)
Effect of limitation on surplus recognition	(20,711)	(12,913)
Reversal of previously unrecognised surplus	12,913	15,347
Actuarial gains/(losses)	994	(1,193)
Cumulative actuarial losses recognised	(6,782)	(7,776)

19 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 2017 was £10.5m (2016: £12.1m).

20 Related party transactions

The Group of which the Company is a member has a central treasury arrangement in which all Group companies participate and procures a number of goods and services centrally which are recharged to its subsidiaries at cost. The Directors do not consider it meaningful to set out details of transfers made in respect of this treasury arrangement, nor the recharge of centrally procured goods and services, nor do they consider it meaningful to set out details of interest or dividend payments made within the Group.

Notes to the financial statements (continued)

20 Related party transactions (continued)

Summary of transactions with subsidiaries

The Company made purchases of £1,252,000 (2016: £879,000) from Mears Learning Limited, a 90% subsidiary, incorporated on 10 February 2015. At 31 December 2017, a net balance of £nil (2016: £nil) was owed to the Company by Mears Learning Limited in respect of these transactions.

During the year, the Company made purchases of call centre related services from Mears 24/7 LLP, an entity in which the Company is a 50% partner, totalling £2,088,000 (2016: £2,147,000). During the year the Company provided support services and shared property costs of £32,000 (2016: £182,000), and loans of £250,000 (2016: £250,000). At 31 December 2017, the Company owed £243,000 (2016: £224,000) to Mears 24/7 LLP.

Summary of transactions with joint ventures

During the year, the Company provided repairs and maintenance services to More Homes Bromley LLP, an entity in which the Company is a 50% partner, totalling £1,283,000 (2016: £926,000). At 31 December 2017, £147,000 (2016: £82,000) was owed from More Homes Bromley LLP in respect of sales, purchases and other transactions, as described above.

During the year, the Company provided repairs and maintenance services to YourMK LLP, an entity in which the Company is a 50% partner, totalling £nil (2016: £7,000). At 31 December 2017, £nil (2016: £nil) was owed from YourMK LLP in respect of sales, purchases and other transactions, as described above.

Transactions with other related parties

During the year, the Company made sales of £nil (2016: £nil) to Manchester Working Limited, an entity in which Mears Group PLC has an 80% beneficial holding. The Company also made purchases of £nil (2016: £22,000) from Manchester Working Limited. At 31 December 2017, the Company was owed £457,000 from Manchester Working Limited (2016: 297,000) in respect of sales, purchases and other transactions, as described above.

21 Share capital

Allotted, called up and fully paid share capital

	2017	2016
	£	£
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

22 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 Group PLC, 1390 Montpellier Court, Gloucester Business Park, Brockworth, Gloucester GL3 4AH.