

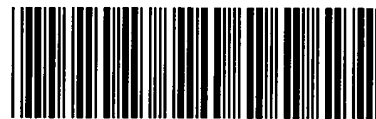
Mitie Business Services Limited

Annual Report and Financial Statements

Registered number 03787709

31 March 2016

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Company information

Directors

L D Barnet
R I Cattell
M A Freeman
J H J Gilding
J S Sheridan

Secretary

Mitie Company Secretarial Services Limited

Registered office

1 Harlequin Office Park
Fieldfare
Emersons Green
Bristol
BS16 7FN

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

Strategic report

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

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

Review of the business

The principal activity of the Company continued to be to provide a comprehensive suite of outsourced document management and business support services to banking, legal and commercial ventures. There have not been any significant changes in the Company's principal activities in the year under review.

The Company acquired the trade and net liabilities of Mitie Document Solutions Limited, a fellow Mitie Group subsidiary on 31 March 2016.

As shown in the Company's profit and loss account on page 10, the Company's revenue was £32,388,000 (2015: £32,112,000) and the profit after tax was £1,210,000 (2015: £1,458,000).

Key performance indicators

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

Principal risks and uncertainties

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

Strategic report *(continued)*

Key risks include:

Strategic Risks

Changes in the market and to the economic conditions

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

Financial Risks

Reliance on material counterparties

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

Operational Risks

Significant health, safety or environmental incident

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

System, process or control failure

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

Attracting and retaining skilled people

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

Strategic report *(continued)*

Financial risk management

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

Appropriate trade terms are negotiated with suppliers and customers. Management reviews these terms and the relationships with suppliers and customers and manages any exposure on normal trade terms. The Company prepares regular forecasts of cash flow and liquidity and any requirement for additional funding is managed as part of the overall Mitie Group plc financing arrangements.

Future developments

The directors expect the general level of activity to remain consistent with 2016 in the in the forthcoming year.

Post balance sheet events

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

Approved by the Board and signed on its behalf by:



M A Freeman
Director

29 June 2016

Directors' report

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

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

Going concern

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

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

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

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

Directors

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

Director	Date of appointment	Date of resignation
L D Barnet		
S C Baxter		26/10/2015
R I Cattell		
M A Freeman		
J H J Gilding	27/04/2015	
R McGregor-Smith		26/10/2015
J S Sheridan		

Dividends

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

	2016 £	2015 £
Deferred shares	1.385	-
A Ordinary	1.385	2.46
B Ordinary	1.385	2.46

Directors' report *(continued)*

Employees

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

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

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

Environment

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

Political contributions

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

Disclosure of information to auditor

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

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

Other information

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

Auditor

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

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

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

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

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

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

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

By order of the board



M A Freeman
Director

1 Harlequin Office Park
Fieldfare
Emersons Green
BS16 7FN

29 June 2016

Independent auditor's report to the members of Mitie Business Services Limited

We have audited the financial statements of Mitie Business Services Limited for the year ended 31 March 2016 which comprise the Profit and loss account, the Balance sheet, the Statement of changes in equity and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

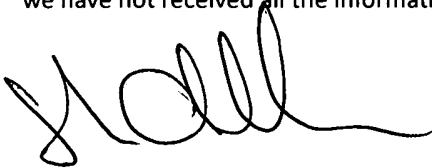
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

A handwritten signature in black ink, appearing to read 'J. Charlton', with a long horizontal flourish extending to the right.

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

29 June 2016

Profit and loss account

	<i>Note</i>	2016 Total £000	2015 Total £000
Turnover	3	32,388	32,112
Cost of sales		(27,891)	(28,389)
Gross profit		4,497	3,723
Administrative expenses		(3,015)	(1,919)
Operating profit	4	1,482	1,804
Other interest receivable and similar income	7	253	222
Interest payable and similar charges	8	(143)	(170)
Profit on ordinary activities before taxation		1,592	1,856
Tax on profit on ordinary activities	9	(382)	(398)
Profit for the financial year		1,210	1,458

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

There were no items of other comprehensive income recognised during the year. Accordingly, no statement of comprehensive income has been prepared.

Balance sheet

	Note	2016 £000	2015 £000
Fixed assets			
Goodwill	10	401	-
Other intangibles	11	321	52
Tangible assets	12	2,326	2,675
		<u>3,048</u>	<u>2,727</u>
Current assets			
Debtors (including £318,000 due after more than one year (2015: £nil))	13	5,474	6,238
Cash at bank and in hand		7,162	5,650
		<u>12,636</u>	<u>11,888</u>
Creditors: amounts falling due within one year	14	(7,436)	(6,230)
Net current assets		<u>5,200</u>	<u>5,658</u>
Total assets less current liabilities		<u>8,248</u>	<u>8,385</u>
Creditors: amounts falling due after more than one year	15	(922)	(1,172)
Net assets		<u>7,326</u>	<u>7,213</u>
Capital and reserves			
Called up share capital	19	325	325
Share premium		185	185
Profit and loss account		6,816	6,703
Shareholders' funds		<u>7,326</u>	<u>7,213</u>

These financial statements of Mitie Business Services Limited, company number 03787709, were approved by the board of directors on 29 June 2016 and were signed on its behalf by:



M A Freeman
Director

Statement of changes in equity

	Called up Share capital £000	Share premium £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2014	325	185	6,420	6,930
Total comprehensive income for the year				
Profit for the year	-	-	1,458	1,458
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	1,458	1,458
	<hr/>	<hr/>	<hr/>	<hr/>
Transactions with owners, recorded directly in equity				
Equity settled share based payment transactions			55	55
Dividends	-	-	(1,230)	(1,230)
	<hr/>	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	-	(1,175)	(1,175)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2015	325	185	6,703	7,213
	<hr/>	<hr/>	<hr/>	<hr/>

Statement of changes in equity *(continued)*

	Called up share capital £000	Share premium £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2015	325	185	6,703	7,213
Total comprehensive income for the year				
Profit for the year	-	-	1,210	1,210
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-		1,210	1,210
	<hr/>	<hr/>	<hr/>	<hr/>
Transactions with owners, recorded directly in equity				
Equity-settled share based payment transactions	-		38	38
Tax on share based payments			1	1
Dividends	-	-	(1,136)	(1,136)
	<hr/>	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	-	(1,097)	(1,097)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2016	325	185	6,816	7,326
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes

1 Accounting policies

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

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. The Company's ultimate parent undertaking, Mitie Group plc includes the Company in its consolidated financial statements. The consolidated financial statements of Mitie Group plc, which are prepared in accordance with International Financial Reporting Standards, are available to the public and may be obtained from www.mitie.com.

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

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

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

In these financial statements, the company has adopted FRS 101 for the first time. In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 22.

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

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

Notes (continued)

1 Accounting policies (continued)

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

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

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

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

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

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

Measurement convention

The financial statements are prepared on the historical cost basis.

Foreign currency

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

Notes (continued)

1 Accounting policies (continued)

Classification of financial instruments issued by the Company

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

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

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

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

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

Intra-group financial instruments

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

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets

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

- Plant and vehicles: 3 - 5 years

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

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

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

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

Intangible assets

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

Employee benefits

Retirement benefit costs

The company participates in Mitie Group plc pension schemes. One is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the group. For the purposes of IAS 19 – Employee Benefits, the company has been unable to identify its share of underlying assets and liabilities in this scheme on a consistent and reasonable basis. Therefore the company is accounting for contributions to the scheme as if it were a defined contribution scheme.

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

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

Share-based payment transactions

The Company participates in a number of Mitie Group plc executive and employee share option schemes. For all grants of share options, the fair value as at the date of grant is calculated using the appropriate valuation model and the corresponding expense is recognised on a straight-line basis over the vesting period based on the Company's estimate of shares that will actually vest. Further details of the Group's share option schemes are contained in the Mitie Group plc annual report.

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

Provisions

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

Notes (continued)

1 Accounting policies (continued)

Turnover

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

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

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

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

Leasing

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

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

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

Notes (continued)

1 Accounting policies (continued)

Taxation

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

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

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

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

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

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

Notes (continued)

1 Accounting policies (continued)

Business Combinations

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

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

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

2 Accounting estimates and judgements

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

Measurement and impairment of goodwill and other intangible assets

The measurement of intangible assets other than goodwill on a business combination involves estimation of future cash flows and the selection of suitable discount rates. Determining whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the CGUs to which the goodwill has been allocated. The value in use calculation involves an estimation of the future cash flows of CGUs and also the selection of appropriate discount rates to use in order to calculate present values. The carrying value of goodwill and other intangible assets is £722,000 (2015: £52,000) at the balance sheet date.

3 Turnover

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

Notes (continued)

4 Expenses and auditor's remuneration

Included in profit are the following:

Auditor's remuneration:

	2016	2015
	£000	£000
Audit fees paid by Mitie Facilities Services Limited and not recharged	9	9

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

5 Staff numbers and costs

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

	Number of employees	
	2016	2015
Operations	402	376
Administration	16	14
	418	390

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	11,808	9,833
Share based payments (See note 18)	38	55
Social security costs	1,139	996
Termination and redundancy payments	193	91
Contributions to defined contribution plans	494	319
	13,672	11,294

Notes *(continued)*

6 Directors' remuneration

	2016	2015
	£000	£000
Directors' emoluments	216	75

In respect of the highest paid director:

	2016	2015
	£000	£000
Emoluments and amounts receivable under long term incentive schemes	216	75
Accrued pension under defined benefit pension scheme	16	-

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

The following directors are also directors or employees of another group company. They are are remunerated by the company shown. It is not practicable to allocate their remuneration between their services as directors of this company and as directors or employees of other group companies.

Director	Remunerated by
L D Barnet	Mitie Facilities Services Limited
S C Baxter (resigned 26 October 2015)	Mitie Group plc
R I Cattell	Mitie Facilities Services Limited
M A Freeman	Mitie Facilities Services Limited
R McGregor-Smith (resigned 26 October 2015)	Mitie Group plc
J S Sheridan	Mitie Facilities Services Limited

7 Other interest receivable and similar income

	2016	2015
	£000	£000
Bank interest	253	222
Total interest receivable and similar income	253	222

Notes *(continued)*

8 Interest payable and similar charges

	2016	2015
	£000	£000
Finance leases	143	170
Total other interest payable and similar charges	143	170

9 Taxation

	2016	2015
	£000	£000
<i>Analysis of charge in the year</i>		
<i>UK corporation tax at 20% (2015: 21%)</i>		
Current tax on income for the period	492	523
Adjustments in respect of prior periods	(24)	(30)
Total current tax	468	493
<i>Deferred tax (see note 17)</i>		
Origination and reversal of temporary timing differences	(157)	(120)
Reduction in statutory tax rate	48	-
Recognition of previously unrecognised tax losses	-	25
Adjustments in respect of prior periods	23	-
Total deferred tax	(86)	(95)
Tax on profit on ordinary activities	382	398

Notes *(continued)*

9 Taxation *(continued)*

	2016	2015
	£000	£000
<i>Tax recognised directly in equity</i>		
Current tax recognised directly in equity	(7)	-
Deferred tax recognised directly in equity	8	-
	<u>1</u>	<u>-</u>
Total tax recognised directly in equity	<u>1</u>	<u>-</u>
	2016	2015
	£000	£000
<i>Reconciliation of effective tax rate</i>		
Profit for the year	1,210	1,458
Total tax expense	382	398
	<u>1,592</u>	<u>1,856</u>
Profit excluding taxation	1,592	1,856
Tax using the UK corporation tax rate of 20% (2015: 21%)	318	390
Relief in respect of employee share options	15	(3)
Reduction in statutory tax rate on deferred tax balances	48	-
Expenses not deductible for tax purposes	2	1
Differences between capital allowances and depreciation	-	28
Other timing differences	-	12
Adjustments in respect of prior periods	(1)	(30)
	<u>382</u>	<u>398</u>
Total tax expense	<u>382</u>	<u>398</u>

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

Notes (continued)

10 Goodwill

	Total £000
Cost	
At 1 April 2015	-
Additions	401
	<hr/>
At 31 March 2016	401
	<hr/> <hr/>
Accumulated impairment losses	
At 1 April 2015	-
Charge for the year	-
	<hr/>
At 31 March 2016	-
	<hr/> <hr/>
Net book value	
31 March 2016	401
	<hr/> <hr/>
At 1 April 2015	-
	<hr/> <hr/>

11 Intangible assets

	Total £000
Cost	
At 1 April 2015	111
Additions	567
Disposals	(72)
	<hr/>
At 31 March 2016	606
	<hr/> <hr/>
Amoritsation	
At 1 April 2015	59
Charge for the year	298
Disposals	(72)
	<hr/>
At 31 March 2016	285
	<hr/> <hr/>
Net book value	
31 March 2016	321
	<hr/> <hr/>
At 1 April 2015	52
	<hr/> <hr/>

Notes *(continued)*

12 Tangible fixed assets

	Plant & vehicles £000
Cost	
Balance at 1 April 2015	13,796
Additions	2,150
Disposals	(8,548)
	<hr/>
Balance at 31 March 2016	7,398
	<hr/>
Depreciation and Impairment	
Balance at 1 April 2015	11,121
Depreciation charge for the year	1,545
Acquisitions	323
Disposals	(7,917)
	<hr/>
Balance at 31 March 2016	5,072
	<hr/>
Net book value	
At 1 April 2015	2,675
	<hr/>
At 31 March 2016	2,326
	<hr/>

At 31 March 2016 the net carrying amount of leased plant and machinery was £2,326,000 (2015: £1,613,000). The leased equipment secures lease obligations.

Notes (continued)

13 Debtors

	2016 £000	Restated 2015 £000
Trade debtors	389	1,715
Mobilisation costs	848	-
Amounts owed by group undertakings	602	211
Other debtors	303	409
Deferred tax assets (see note 17)	423	345
Prepayments	71	57
Accrued income	2,838	3,501
	<hr/>	<hr/>
Total	5,474	6,238
	<hr/>	<hr/>
Due within one year	5,156	6,238
Due after more than one year	318	-
	<hr/>	<hr/>

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

14 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Obligations under finance leases	977	1,033
Trade creditors	2,340	1,952
Amounts owed to group undertakings	399	332
Taxation and social security	1,092	1,189
Other creditors	72	33
Accruals and deferred income	2,296	1,463
Corporation tax	260	228
	<hr/>	<hr/>
	7,436	6,230
	<hr/>	<hr/>

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

15 Creditors: amounts falling due after more than one year

	2016 £000	2015 £000
Obligations under finance leases	922	1,172
	<hr/>	<hr/>
	922	1,172
	<hr/>	<hr/>

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

Notes (continued)

16 Interest-bearing loans and borrowings

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

	2016	2015
	£000	£000
Creditors falling due more than one year		
Finance lease liabilities	922	1,172
	922	1,172
Creditors falling due within less than one year		
Finance lease liabilities	977	1,033
	977	1,033

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2016 £000	Interest 2016 £000	Principal 2016 £000	Minimum lease payments 2015 £000	Interest 2015 £000	Principal 2015 £000
Less than one year	816	(88)	728	1,184	(133)	1,051
Between one and five years	1,280	(109)	1,171	1,277	(123)	1,154
More than five years	-	-	-	-	-	-
	(2,096)	(197)	1,899	2,461	(256)	2,205

Notes (continued)

17 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2016 £000	2015 £000	Liabilities 2016 £000	2015 £000	Net 2016 £000	2015 £000
Tangible fixed assets	411	311	-	-	411	311
Share-based payments	5	7	-	-	5	7
Provisions	7	30	-	-	7	30
	<u>423</u>	<u>345</u>	<u>-</u>	<u>-</u>	<u>423</u>	<u>345</u>
Net tax assets	<u>423</u>	<u>345</u>	<u>-</u>	<u>-</u>	<u>423</u>	<u>345</u>

Movement in deferred tax during the year

	Recognised in income £000	Recognised in equity £000	Included in disposal group £000	Acquired in business combination £000	31 March 2016 £000
1 April 2015	345	86	(8)	-	423
	<u>345</u>	<u>86</u>	<u>(8)</u>	<u>-</u>	<u>423</u>

Movement in deferred tax during the prior year

	Recognised in income £000	Recognised in equity £000	Included in disposal group £000	Acquired in business combination £000	31 March 2015 £000
1 April 2014	250	95	-	-	345
	<u>250</u>	<u>95</u>	<u>-</u>	<u>-</u>	<u>345</u>

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

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

Notes *(continued)*

18 Share based payments

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

Discretionary schemes

Mitie Group plc long term incentive plan

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

Mitie Group plc executive share option scheme

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

Conditional share plan

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

Non-discretionary schemes

Mitie Group plc SAYE scheme

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

Share incentive plan

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

	2016	2015
Weighted average share price at date of exercise	315p	306p
Options outstanding prices	191p to 319p	191p to 319p
Weighted average remaining contractual life	4.3 years	4.3 years

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

Notes *(continued)*

19 Capital and reserves

Share capital authorised and fully paid	2016 £000	2015 £000
320,000 Deferred shares at £1 each	320	320
255,000 A Ordinary shares at £0.01 each	3	3
245,000 B Ordinary shares at £0.01 each	2	2
	<u>325</u>	<u>325</u>

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

Share Premium

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

Dividend

The following dividends were recognised during the period:

	2016 £000	2015 £000
£1.385 (2015: £nil) per qualifying Deferred share	443	-
£1.388 (2015: £2.46) per qualifying A ordinary share	354	627
£1.385 (2015: £2.46) per qualifying B ordinary share	339	603
	<u>1,136</u>	<u>1,230</u>

20 Commitments

Capital commitments

During the year ended 31 March 2016, the Company entered into a contract to purchase property, plant and equipment for £nil (2015: £400,000).

Commitments on behalf of group undertakings

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

	2016 £'000	2015 £'000
Overall commitment	<u>281,823</u>	<u>277,447</u>

Notes *(continued)*

21 Acquisitions of businesses

Acquisitions in the current period

On 31 March 2016, the Company acquired the business of Mitie Document Solutions Limited. This was by way of purchase of trade and assets.

The business combination was to consolidate the number of trading entities within the Mitie Group of companies.

If the acquisition had occurred on 1 April 2015, turnover would have been £46,027 and net loss before tax would have been £140,758. In determining these amounts, management has determined that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 April 2015.

Effect of acquisition

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

	Recognised values on acquisition £000
Net identifiable assets and liabilities	-
Goodwill on acquisition	<u>401</u>
Total consideration	<u>401</u>

Notes (continued)

22 Related parties

Related parties with which the Company has transacted

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

	Sales to		Purchases from	
	2016	2015	2016	2015
	£000	£000	£000	£000
Subsidiaries and fellow subsidiaries of Mitie Group plc	720	94	1,443	1,643
	<u>720</u>	<u>94</u>	<u>1,443</u>	<u>1,643</u>
	<u><u>720</u></u>	<u><u>94</u></u>	<u><u>1,443</u></u>	<u><u>1,643</u></u>

	Receivables outstanding		Creditors outstanding	
	2016	2015	2016	2015
	£000	£000	£000	£000
Subsidiaries and fellow subsidiaries of Mitie Group plc	219	65	182	48
	<u>219</u>	<u>65</u>	<u>182</u>	<u>48</u>
	<u><u>219</u></u>	<u><u>65</u></u>	<u><u>182</u></u>	<u><u>48</u></u>

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

The company is a participant in the Mitie Group plc Pension Scheme, a defined benefit scheme; the contributions payable under the scheme are apportioned to the company on the basis of the percentage of pensionable payroll determined, by the scheme actuaries, for the scheme as a whole. The contributions payable to the scheme were £5,000 (2015: £nil); £1,000 of this amount was payable to the scheme at 31 March 2016 (2015: £nil) Full details of the scheme are set out in the Annual Report and Accounts of Mitie Group plc.

23 Explanation of transition to FRS 101

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

The only adjustment required to transition Mitie Business Services Limited to FRS 101 was the adjustment of £1,095,000 to reduce amounts recoverable on contracts and increase prepayments and accrued income relating to 31 March 2014, and £1,493,000 respectively at 31 March 2015.

24 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Mitie Facilities Services Limited which is the immediate parent company. The ultimate controlling party is Mitie Group plc, a company incorporated in Scotland. Mitie Group plc is the parent company of the largest and smallest groups into which the accounts of the Company are consolidated. The consolidated financial statements of Mitie Group plc are available to the public and may be obtained from the Company Secretary at 1 Harlequin Office Park, Fieldfare, Emersons Green, Bristol, South Gloucestershire, BS16 7FN, UK or from www.mitie.com.