

Company Registration Number: 04519178

MITIE COMPLIANCE LIMITED

Annual Report and Financial Statements

For the year ended 31 March 2014

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Officers and professional advisors

DIRECTORS

G S Kennedy
C P Edwards
M J P McIntyre
R Couzens
J S Sheridan
R I Cattell

COMPANY SECRETARY

Mitie Company Secretarial Services Limited

REGISTERED OFFICE

1 Harlequin Office Park
Fieldfare
Emersons Green
Bristol
BS16 7FN

BANKERS

HSBC Bank Plc
62 George White Street
Cabot Circus
Bristol
BS1 3BA

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Review of the business

The principal activity of the Company during the period was the use of the latest technology to carry out comprehensive, evidence-based auditing to provide business critical compliance audits and asset surveys that enable clients to be able to view, manage and maintain live and historic data in a sustainable, cost effective environment.

During the year the business delivered turnover of £3.0m, an increase of 110% compared to the prior year, with an associated profit before tax of £1.5m which is an increase of £1.47m year-on-year. The increase is due to an expansion in the range of services offered by the company from Part M disability audits through to asset condition surveys, fire risk assessments and fabric condition surveys.

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. The directors do not believe there to be any other significant risks.

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.

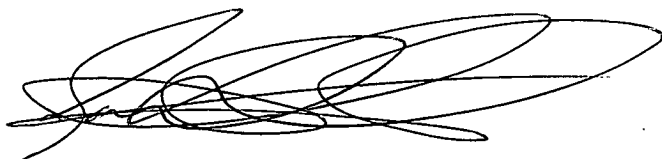
Future developments

The directors expect the general level of activity to increase in the forthcoming year. This is as a result of the continued sales opportunities being created and taken as a result of the continued development of the business' audit product tool combined with the enhanced access to the market being presented to the business due to its position within Mitie Group.

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:



G S Kennedy

Director

11 September 2014

Directors' report

The directors present the annual report and the audited financial statements of Mitie Compliance Limited ("the Company") for the year ended 31 March 2014.

Dividends

No dividend was declared or paid in the year (2013: no dividend).

Going Concern

The directors have considered the forecast results and associated cash flows for the foreseeable future, being the period not less than 12 months from the date of signing of these financial statements. The directors have considered the facilities available to the Company and believe that they can operate within the facilities available for the period of the cash flow forecast. Accordingly, the directors consider it appropriate to adopt the going concern basis in the preparation of the Company's financial statements.

Payment of creditors

The Company manages its procurement and supply chain with increasing consideration of its impact on the Company's profitability, reputation and sustainability objectives and is committed to proactively developing mutually beneficial and sustainable trading relationships with all of our stakeholders, based on a foundation of trust and co-operation.

Environment

Mitie Group plc and its subsidiaries endeavour to identify, monitor and manage the impact of their activities on the environment and are 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.

Employees

The Company recognises the importance of good communications and employee relationships. In each company there is a relationship between the Chief Executive of Mitie Group plc and individual employees in the company. In these conditions, complex consultative procedures are seldom required to ensure that there is an understanding of the purpose of the business and the commercial realities of success. Employees are encouraged to become shareholders through the Savings Related Share Option Scheme.

Directors

The directors who served throughout the year are shown on page 1. There have been no changes since the year end date.

Each of the directors in office as of the date of approval of this report confirms that:

- so far as he/she is aware, there is no relevant audit information (being information required by the auditor in the preparation of their report) of which the Company's auditor is unaware; and
- he/she has each 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 such information.

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

Directors' report (continued)

Appointment of auditor

Deloitte LLP has indicated its willingness to be reappointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditor in the absence of an Annual General Meeting.

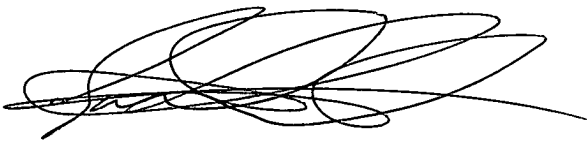
Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and Financial Statements. The directors have elected to prepare financial statements in accordance with UK GAAP. The directors are required to prepare financial statements for each financial year which 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 accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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 which disclose with reasonable accuracy at any time the financial position of the Company, safeguarding the assets, taking reasonable steps for the prevention and detection of fraud and other irregularities, and the preparation of a Strategic report and a Directors' report which complies with the relevant requirements of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



G S Kennedy
Director

11 September 2014

Independent auditor's report to the members of Mitie Compliance Limited

We have audited the financial statements of Mitie Compliance Limited for the year ended 31 March 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement 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).

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 Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

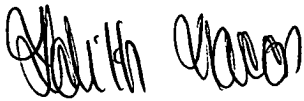
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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.



Judith Tacon (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
11 September 2014

Profit and loss account**For the year ended 31 March 2014**

| | Note | 2014 £'000 | 2013 £'000 |
|---|-------------|-----------------------|-----------------------|
| Turnover | 1 | 3,029 | 1,444 |
| Cost of sales | | (824) | (669) |
| | | <hr/> | <hr/> |
| Gross profit | | 2,205 | 775 |
| Administration expense | | (687) | (699) |
| | | <hr/> | <hr/> |
| Operating profit | 2 | 1,518 | 76 |
| Profit on ordinary activities before interest and taxation | | 1,518 | 76 |
| Interest receivable and similar income | 5 | 44 | 12 |
| Interest payable and similar charges | 5 | (22) | (19) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | | 1,540 | 69 |
| Tax charge on profit on ordinary activities | 6 | (342) | (12) |
| | | <hr/> | <hr/> |
| Profit for the financial year | 14 | 1,198 | 57 |
| | | <hr/> <hr/> | <hr/> <hr/> |

The profit for the year is wholly attributable to the continuing operations of the Company.

There are no recognised gains and losses for the current or preceding financial years other than as stated in the profit and loss account. Accordingly no separate statement of total recognised gains and losses has been presented.

Notes to the financial statements

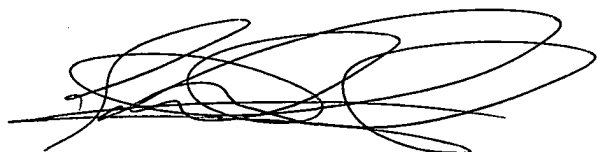
For the year ended 31 March 2014

Balance sheet

As at 31 March 2014

| | Note | 2014 £'000 | 2013 £'000 |
|--|------|---------------|----------------|
| Fixed assets | | | |
| Intangible assets | 7 | 916 | 327 |
| Tangible assets | 8 | 24 | 27 |
| | | <u>940</u> | <u>354</u> |
| Current assets | | | |
| Debtors | 9 | | |
| - due within one year | | 1,167 | 690 |
| Cash at bank and in hand | | 395 | 661 |
| | | <u>1,562</u> | <u>1,351</u> |
| Creditors: amounts falling due within one year | 10 | <u>(924)</u> | <u>(1,355)</u> |
| Net current assets/(liabilities) | | <u>638</u> | <u>(4)</u> |
| Total assets less current liabilities | | <u>1,578</u> | <u>350</u> |
| Creditors: amounts falling due after more than one year | 11 | - | (23) |
| Provisions for Liabilities | 6 | (49) | - |
| Net assets | | <u>1,529</u> | <u>327</u> |
| Share capital and reserves | | | |
| Called-up share capital | 13 | 251 | 251 |
| Share premium account | 14 | 72 | 72 |
| Profit and loss account | 14 | 1,206 | 4 |
| Shareholder's funds | 15 | <u>1,529</u> | <u>327</u> |

The financial statements of Mitie Compliance Limited (registered number: 04519178) were approved by the board of directors and authorised for issue on 11 September 2014.



Signed on its behalf by:
G S Kennedy
Director
11 September 2014

Notes to the financial statements**For the year ended 31 March 2014****Cash flow statement****For the year ended 31 March 2014**

| | Note | 2014 £'000 | 2013 £'000 |
|---|------|---------------|---------------|
| Cash flow from continuing operating activities | | | |
| Operating profit | | 1,518 | 76 |
| Depreciation charge | | 12 | 149 |
| Reversal of impairment of tangible fixed assets | | - | (5) |
| Share-base payments | | 4 | (3) |
| Increase in debtors | | (427) | (72) |
| (Decrease)/Increase in creditors | | (454) | 539 |
| Net cash inflow from operating activities | | 653 | 684 |
| Interest received | | 44 | 12 |
| Interest paid | | (22) | (19) |
| Interest element of finance lease payments | | (1) | - |
| Net cash inflow from returns on investments and servicing of finance | | 21 | (7) |
| Taxation | | (310) | 39 |
| Capital expenditure and financial investment | | | |
| Purchase of tangible fixed assets | | (9) | (90) |
| Sales of tangible fixed assets | | - | 73 |
| Expenditure on product development | | (589) | (249) |
| Net cash outflow for capital expenditure and financial investment | | (598) | (266) |
| Net cash (outflow)/inflow before use of liquid resources and financing | | (235) | 450 |
| Financing | | | |
| Capital element of finance lease payments | | (31) | (7) |
| Increase in borrowings | | - | 200 |
| Net cash (outflow)/inflow from financing | | (31) | 193 |
| (Decrease)/Increase in net cash | | (266) | 643 |
| Reconciliation to net cash | | | |
| Net cash at start of year | | 630 | 18 |
| (Decrease)/increase in net cash | | (266) | 643 |
| Movement in borrowings | | (30) | (31) |
| Net cash at end of year | | 334 | 630 |

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

Notes to the financial statements**For the year ended 31 March 2014****1. Accounting policies**

The financial statements of the Company have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

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

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

Turnover

Turnover represents the total, excluding sales taxes, receivable in respect of goods and services supplied. All turnover arises within the United Kingdom, from the Company's principal activity. Turnover is recognised as services are delivered.

Intangible assets

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalized. Upon completion of the development, the asset is amortised over a useful economic life of 3 years. Provision is made for any impairment identified as necessary.

Tangible fixed assets and depreciation

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

| | | |
|----------------------------|---|-----------|
| Plant and office equipment | - | 4-5 years |
| Motor vehicles | - | 4-5 years |

Operating leases

Rentals paid under operating leases are charged against income on a straight-line basis over the lease term.

Finance leases

Assets held under hire purchase arrangements, which confer rights and obligations similar to those attached to current assets are capitalised as tangible fixed assets and depreciated over the shorter of the lease terms and useful lives. The capital elements of future hire purchase obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the lease to provide a constant rate of charge on the balance of capital repayments outstanding.

Pension costs

The Company participates in the 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 FRS 17 ('Retirement Benefits'), the Company has been unable to identify its share of the underlying assets and liabilities in the main group 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.

For defined contribution schemes the amount charged to the profit and loss account is the contributions payable in the year.

Where the Company can separately identify its share of the underlying assets and liabilities of any defined benefit schemes to which it contributes, the Company accounts for these schemes as required by FRS 17 with the cost of providing benefits determined using the Projected Unit Credit Method, based on actuarial valuations carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the profit and loss account and presented in the statement of total recognised gains and losses. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

Notes to the financial statements (continued)**For the year ended 31 March 2014****1. Accounting policies (continued)*****Pension costs (continued)***

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan. Where the scheme is fully funded no asset or liability is recognised in the balance sheet.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based upon tax rates and legislation that have been enacted or substantively enacted at the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Share-based payments

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.

Notes to the financial statements (continued)

For the year ended 31 March 2014

2. Operating profit

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| Operating Profit is stated after charging | | |
| Depreciation of tangible fixed assets: | | |
| owned | 9 | 37 |
| held under finance leases and hire purchase contracts | 6 | 10 |
| Operating lease rentals: other | 62 | - |
| | <u>77</u> | <u>47</u> |

Audit fees of £2,900 (2013: £5,000) were borne by Mitie Facilities Services Limited and not recharged.

The Company has taken the exemption available to it not to disclose separately information about fees for non-audit services provided to the Company as this information is available in the consolidated financial statements of Mitie Group plc.

3. Employees

The average number of persons (including directors) employed by the Company during the financial year was:

| | 2014 No. | 2013 No. |
|----------------|-------------|-------------|
| Operations | 40 | 24 |
| Administration | 2 | 2 |
| | <u>42</u> | <u>26</u> |

Employment cost

| | £'000 | £'000 |
|-----------------------|--------------|------------|
| Wages and salaries | 1,362 | 663 |
| Social security costs | 144 | 65 |
| Redundancy costs | 3 | - |
| Other pension costs | 5 | - |
| Share-based payments | 4 | (3) |
| | <u>1,518</u> | <u>725</u> |

Notes to the financial statements (continued)**For the year ended 31 March 2014****4. Directors**

| | 2014 £'000 | 2013 £'000 |
|--|-----------------------------|-----------------------------|
| The emoluments of the directors of the Company were: | | |
| - Aggregate emoluments | 329 | 269 |
| | <u>329</u> | <u>269</u> |

| | 2014 No. | 2013 No. |
|---|---------------------------|---------------------------|
| The number of directors who: | | |
| were members of a defined contribution pension scheme | 3 | - |
| exercised share options in the year | <u>-</u> | <u>-</u> |

| | 2014 £'000 | 2013 £'000 |
|------------------------|-----------------------------|-----------------------------|
| Highest paid director: | | |
| - Aggregate emoluments | 162 | 135 |
| | <u>162</u> | <u>135</u> |

The highest paid director did not exercise share options in the year.

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

| Director | Remunerated by |
|-----------------|-------------------------------|
| R Couzens | Mitie Facilities Services Ltd |
| J S Sheridan | Mitie Facilities Services Ltd |
| R I Cattell | Mitie Facilities Services Ltd |

Notes to the financial statements (continued)

For the year ended 31 March 2014

5. Interest

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| <i>Interest receivable and similar income</i> | | |
| Bank interest | 44 | 12 |
| | <u>44</u> | <u>12</u> |
| <i>Interest payable and similar charges</i> | | |
| Bank interest | 21 | 8 |
| Finance leases | 1 | 2 |
| Other | - | 9 |
| | <u>22</u> | <u>19</u> |

6. Tax charge on profit on ordinary activities

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| <i>(a) Analysis of charge in the year</i> | | |
| United Kingdom corporation tax 23% (2013: 24%) | 279 | 16 |
| Adjustment in respect of prior years | (14) | 1 |
| | <u>265</u> | <u>17</u> |
| Total current tax (note 6(b)) | | |
| Deferred taxation: | | |
| Timing differences - origination and reversal | 69 | 1 |
| Adjustment in respect of prior years | 8 | (6) |
| | <u>342</u> | <u>12</u> |
| Tax charge on profit on ordinary activities | | |

Notes to the financial statements (continued)**For the year ended 31 March 2014****6. Tax charge on profit on ordinary activities (continued)*****(b) Factors affecting tax charge in the year***

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 23% (2013: 24%). The differences are as follows:

| | | |
|---|------------|-----------|
| Profit on ordinary activities before tax | 1,540 | 69 |
| | <hr/> | <hr/> |
| Tax at 23% (2013: 24%) thereon: | 354 | 17 |
| Expenses not deductible for tax purposes | 1 | (2) |
| Differences between capital allowances and depreciation | (32) | 27 |
| Utilisation of tax losses | (45) | (27) |
| Relief in respect of employee share options | (1) | - |
| Other timing differences | 2 | 1 |
| Adjustments to tax charge in respect of prior periods | (14) | 1 |
| | <hr/> | <hr/> |
| Current tax charge for the year (note 6(a)) | 265 | 17 |
| | <hr/> | <hr/> |

The UK Government announced reductions in the UK corporation tax rate from 23% to 21% from 1 April 2014 and from 21% to 20% from 1 April 2015, which were substantively enacted on 2 July 2013. 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.

material impact on the current year tax charge.

| | 2014 | 2013 |
|---|--------------|--------------|
| | £'000 | £'000 |
| <i>The deferred tax balance comprises the following:</i> | | |
| Depreciation in excess of capital allowances | (50) | 27 |
| Share-based payment timing difference | 1 | 1 |
| | <hr/> | <hr/> |
| Total deferred tax (liability)/asset | (49) | 28 |
| | <hr/> | <hr/> |
| Amount debited to the profit and loss account in the year in relation to deferred tax | (77) | (5) |
| | <hr/> | <hr/> |

Notes to the financial statements (continued)**For the year ended 31 March 2014****7. Intangible fixed assets****£'000****Cost**

At 1 April 2013

429

Additions

589

At 31 March 2014

1,018

Amortisation

At 1 April 2013

102

Charge for the year

-

At 31 March 2014

102

Net book value**At 31 March 2014**

916

At 31 March 2013

327

Intangible fixed assets related to internally capitalised development costs of the system and processes utilised in the critical compliance audits and asset surveys.

Notes to the financial statements (continued)

For the year ended 31 March 2014

8. Tangible fixed assets

| | Plant and office equipment £'000 | Motor vehicles £'000 | Total £'000 |
|--------------------------------------|---|----------------------------|----------------|
| Cost or valuation | | | |
| At 1 April 2013 | 100 | 58 | 158 |
| Additions | 9 | - | 9 |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2014 | 109 | 58 | 167 |
| | <hr/> | <hr/> | <hr/> |
| Depreciation | | | |
| At 1 April 2013 | 98 | 33 | 131 |
| Charge for the year | 5 | 7 | 12 |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2014 | 103 | 40 | 143 |
| | <hr/> | <hr/> | <hr/> |
| Net book value | | | |
| At 31 March 2014 | 6 | 18 | 24 |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2013 | 2 | 25 | 27 |
| | <hr/> | <hr/> | <hr/> |
| Leased assets included above: | | | |
| Net book value | | | |
| At 31 March 2014 | - | 18 | 18 |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2013 | - | 24 | 24 |
| | <hr/> | <hr/> | <hr/> |

Notes to the financial statements (continued)

For the year ended 31 March 2014

9. Debtors

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| <i>Amounts falling due within one year:</i> | | |
| Trade debtors | 360 | 237 |
| Amounts owed by Group undertakings | 773 | 392 |
| Other debtors | 22 | 13 |
| Prepayments and accrued income | 12 | 20 |
| Deferred tax asset | - | 28 |
| | <u>1,167</u> | <u>690</u> |

10. Creditors: amounts falling due within one year

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Obligations under finance leases and hire purchase contracts | 1 | 8 |
| Trade creditors | 41 | 38 |
| Amounts owed to Group undertakings | 519 | 503 |
| Corporation tax | 180 | 5 |
| Other taxation and social security | 83 | 102 |
| Other creditors | 6 | 13 |
| Accruals and deferred income | 94 | 686 |
| | <u>924</u> | <u>1,355</u> |

11. Creditors: amounts falling due after more than one year

| | 2014 £'000 | 2013 £'000 |
|----------------------------------|---------------|---------------|
| Obligations under finance leases | - | 23 |
| | <u>-</u> | <u>23</u> |

Notes to the financial statements (continued)

For the year ended 31 March 2014

12. Finance leases

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Amounts payable under finance leases | | |
| - within one year | 1 | 9 |
| - within two to five years | - | 24 |
| - after more than five years | - | - |
| Less finance charges allocated to future periods | - | (2) |
| | <u>1</u> | <u>31</u> |

All obligations under finance leases are secured against the assets to which they relate.

13. Called-up share capital

| | 2014 £'000 | 2013 £'000 |
|--------------------------------------|---------------|---------------|
| Allotted and called-up share capital | | |
| 2,509,990 £0.1 Ordinary | 251 | 251 |
| 999 £0.1 Class II shares | - | - |
| | <u>251</u> | <u>251</u> |

14. Reserves

| | Share premium account £'000 | Profit and loss account £'000 |
|---|-----------------------------------|-------------------------------------|
| At 1 April 2013 | 72 | 4 |
| Profit for the financial year | - | 1,198 |
| Net actuarial gain on pension scheme | - | - |
| Capital contribution relating to share-based payments | - | 4 |
| | <u>72</u> | <u>1,206</u> |
| At 31 March 2014 | | |

Notes to the financial statements (continued)

For the year ended 31 March 2014

15. Reconciliation of movement in shareholder's funds

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| Profit for the financial year | 1,198 | 57 |
| Capital contribution relating to share-based payments | 4 | (3) |
| Net addition to shareholder's funds | 1,202 | 54 |
| Opening shareholder's funds | 327 | 273 |
| Closing shareholder's funds | 1,529 | 327 |

16. Analysis of changes in net cash

| | At 1 April 2013 £'000 | Cash flow £'000 | At 31 March 2014 £'000 |
|--------------------------|--------------------------|--------------------|---------------------------|
| Cash at bank and in hand | 661 | (266) | 395 |
| Overdraft | - | - | - |
| Net cash | 661 | (266) | 395 |
| Debt due within one year | - | - | - |
| Debt due after one year | - | - | - |
| Finance leases | (31) | (30) | (61) |
| Debt | (31) | (30) | (61) |
| Net cash | 630 | (296) | 334 |

Notes to the financial statements (continued)**For the year ended 31 March 2014****17. Share-based payments**

The Company participates in the following Mitie Group plc share option schemes:

The Mitie Group Plc 2011 Executive share option scheme

The Executive Share Option Scheme exercise price is equal to the average market value of the shares on the business day preceding grant or, if the Remuneration Committee decided, the average market value of share over a number of preceding business days (not to exceed 20). The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options may be forfeited if the employee leaves the group. Before options can be exercised, a performance condition must be satisfied; the performance condition is linked to the percentage growth in earnings per share over a three-year period.

The Mitie Group Plc 2011 SAYE Scheme

The SAYE scheme is open to all employees. The exercise price is not less than 80.0% of the market value of the shares determined using either: the share price preceding the date on which invitations to participate in the scheme are issued; or an average share price over five days preceding the invitation date. The vesting period is three years. If the options remain unexercised after a period of six months from the date of vesting, the options expire. Options may be forfeited if the employee leaves the group.

The Mitie Group Plc Long Term Incentive Plan (LTIP)

The LTIP was introduced in 2007. The awards of shares or rights to acquire shares (the awards) are offered to a small number of key senior management. Where offered as options the exercise price is nil. The vesting period is three years. If the awards remain unexercised after a period of four years from the date of grant, the awards expire. The awards may be forfeited if the employee leaves the group. Before the awards can be exercised, a performance condition must be satisfied; the number of awards that vest is determined by a sliding scale based on growth in earnings per share over a three-year period.

The Share Incentive Plan (SIP)

The SIP was introduced in 2011 and is a non-discretionary scheme open to all eligible UK resident employees. Under the scheme, eligible employees are invited to invest in Partnership Shares which are purchased in the market on their behalf and held in a UK employee benefit trust. One Matching Share is awarded for every ten Partnership Shares purchased and has a holding period of three years. Matching Shares are funded by way of market purchases.

Details of the share options outstanding during the year are as follows:

| | 2014 | | 2013 | |
|--------------------------------------|----------------------------|--|----------------------------|--|
| | Number of share options | Weighted average exercise price (p) | Number of share options | Weighted average exercise price (p) |
| Outstanding at beginning of the year | 10,652 | 223 | - | - |
| Granted | 7,859 | 34 | 14,687 | 223 |
| Forfeited | (8,554) | 223 | (4,035) | 223 |
| Transferred from group companies | 7,273 | 220 | - | - |
| Exercised | (2,273) | 190 | - | - |
| Outstanding at end of the year | <u>14,957</u> | <u>127</u> | <u>10,652</u> | <u>223</u> |
| Exercisable at end of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

Notes to the financial statements (continued)**For the year ended 31 March 2014****17. Share-based payments (continued)**

The Company recognised the following expense related to share-based payments:

| | 2014 | 2013 |
|-------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Executive share options | - | - |
| Savings related share options | 4 | 3 |
| LTIP | 2 | - |
| | <u>6</u> | <u>3</u> |

| | 2014 | 2013 |
|---|-------------|-------------|
| The weighted average share price at the date of exercise for share options exercised during the year was: (p) | - | - |
| The options outstanding at the year-end had a weighted average price of: (p) | 127 | 223 |
| The options outstanding at the year-end had a weighted average remaining contractual life of: (years) | - | 3 |

The Company granted options under the following schemes in the year:

| | Fair value |
|-------------------------------|-------------------|
| | £'000 |
| LTIP | 16 |
| Savings related share options | - |
| Executive share options | - |

Notes to the financial statements (continued)

For the year ended 31 March 2014

17. Share-based payments (continued)

The fair value of options is measured by use of the Black-Scholes model or the Monte Carlo model. The inputs into the models are as follows:

| | 2014 | 2013 |
|-------------------------|-------------|-------------|
| Black-Scholes | | |
| Share price (p) | 219 - 274 | 198 - 274 |
| Exercise price (p) | 0 - 254 | 0 - 254 |
| Expected volatility (%) | 30 - 32 | 32 - 35 |
| Expected life (years) | 3 - 5 | 3 - 5 |
| Risk-free rate (%) | 0.55 - 1.48 | 0.55 - 2.42 |
| Expected dividends (%) | 3.5 - 4.1 | 3.3 - 4.1 |
| Monte-Carlo | | |
| Share price (p) | 251 | - |
| Exercise price (p) | 32 | - |
| Expected volatility (%) | 24 | - |
| Expected life (years) | 3 | - |
| Risk-free rate (%) | 0.64 | - |
| Expected dividends (%) | 4.1 | - |

Expected volatility was based on historical volatility over the expected life of the schemes. The expected life is based upon historical data and has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations.

18. Related party transactions

Set out below are the related party transactions with fellow members of Mitie Group plc. There were no transactions with entities other than members of Mitie Group plc which require disclosure under FRS 8.

| Related Party | Nature of transaction | Transaction amount | | Year end balance | |
|---------------------------------------|-----------------------|--------------------|---------------|------------------|---------------|
| | | 2014 £'000 | 2013 £'000 | 2014 £'000 | 2013 £'000 |
| Mitie Business Services | Purchases | 1 | - | - | - |
| Mitie Technical Facilities Management | Purchases | 25 | - | 25 | - |
| Mitie Shared Services Ltd | Purchases | 22 | - | - | - |
| Mitie Managed Services Ltd | Sales | 218 | - | 17 | - |
| Mitie Facilities Services Ltd | Sales | 1044 | - | - | - |
| Mitie Technical Facilities Management | Sales | 590 | - | 372 | - |
| Mitie Shared Services Ltd | Sales | 22 | - | 6 | - |
| Mitie Ltd (Ireland) | Sales | 8 | - | - | - |
| Direct Enquiries Holdings | Loan | - | - | 386 | 386 |
| Mitie Treasury Services 2 Ltd | Loan | - | 200 | 500 | 500 |

Notes to the financial statements (continued)

For the year ended 31 March 2014

19. Ultimate parent undertaking and controlling party

Direct Enquiries Holdings Limited is the immediate controlling party and the directors regard Mitie Group plc, a company registered in Scotland, as the ultimate parent company and controlling party.

Mitie Group plc is the largest and smallest group for which group financial statements are prepared. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.