

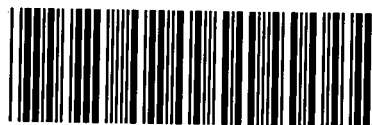
Company Registration Number: 07351242

Mitie Treasury Management Limited

Annual Report and Financial Statements

For the year ended 31 March 2014

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Officers and professional advisers

DIRECTORS

S C Baxter

R McGregor-Smith

COMPANY SECRETARY

Mitie Company Secretarial Services Limited

REGISTERED OFFICE

1 Harlequin Office Park

Fieldfare

Emersons Green

Bristol

England

BS16 7FN

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

Mitie Treasury Management Limited is a wholly-owned subsidiary of Mitie Group plc (the "Group"). Mitie Treasury Management Limited is principally used for the raising of external debt finance.

In the year to 31 March 2014 Mitie Treasury Management Limited drew down on Mitie Group plc's committed banking facility of £250m, which remains in place until September 2015.

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 plc 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 directors have reviewed the financial risk management objectives and policies of the Company. The Group's treasury function monitors and manages the financial risks relating to the operations of the Group. These risks include interest rate risk, foreign currency risk, liquidity risk and credit risk. The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by Group policies and reviewed regularly. Group policy is not to trade in financial instruments. It does not enter into any financial instrument arrangements for speculative purposes.

The Company holds a number of cross currency interest rate swaps designated as fair value hedge. Fixed interest cash flows denominated in US\$ from the US Private Placement market are exchanged, for floating interest cash flows denominated in Sterling. All fair value hedges were assessed as being highly effective as at 31 March 2014.


The Company holds a number of cross currency interest rate swaps designated as cash flow hedges. Bi-annual fixed interest cash flows arising over the periods to December 2017 and December 2022 and denominated in US\$ from the US Private Placement market are exchanged for fixed interest cash flows denominated in Sterling. All cash flow hedges were assessed as being highly effective as at 31 March 2014.

Strategic Report (continued)

Future developments

The directors expect the general level of activity to remain consistent with 2014 in the forthcoming year.

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'S C Baxter', with a large, stylized loop at the end.

S C Baxter

Director

1 July 2014

Directors' Report (continued)

The directors present the Annual Report and financial statements of Mitie Treasury Management 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.

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.

Post Balance sheet events

There are no significant events since the balance sheet date.

Directors

The directors who served throughout the year are shown on page 2. 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 she is aware, there is no relevant audit information (being information required by the auditors in the preparation of their report) of which the Company's auditor is unaware; and
- she has each taken all the steps that she ought to have taken as a director to make 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.

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' Report (continued)

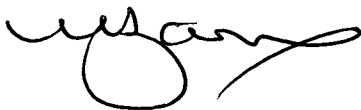
Directors' responsibilities statement in respect of the financial statements

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 Directors' report which complies with the relevant requirements of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'S C Baxter', with a large circular flourish at the end.

S C Baxter

1 July 2014

Independent auditor's report to the members of Mitie Treasury Management Limited

We have audited the financial statements of Mitie Treasury Management Limited for the year ended 31 March 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 17. 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

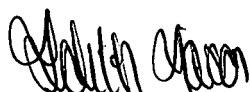
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Mitie Treasury Management 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
1 July 2014

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

	Note	2014 £'000	2013 £'000
Other operating income		1,279	304
Operating profit	2	1,279	304
Profit on ordinary activities before interest and taxation		1,279	304
Interest receivable and similar income	3	17,444	12,268
Interest payable and similar charges	3	(14,764)	(10,659)
Profit on ordinary activities before taxation		3,959	1,913
Tax charge on profit on ordinary activities	4	(911)	(459)
Profit for the financial year	11	3,048	1,454

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

Statement of total recognised gains and losses**For the year ended 31 March 2014**

	Note	2014 £'000	2013 £'000
Profit for the financial year		3,048	1,454
Cash flow hedges - reclassification adjustment for gains / (losses)			
Included in the profit and loss account		2,011	(5,225)
Total recognised gains / (losses) relating to the year		5,059	(3,771)

Mitie Treasury Management Limited**07351242****Balance Sheet****As at 31 March 2014**

	Note	2014 £'000	2013 £'000
Current assets			
Debtors			
- due within one year	5	283,577	279,893
- due after one year		-	3,965
Cash at bank and in hand		109,037	40,846
		<u>392,614</u>	<u>324,704</u>
Creditors: amounts falling due within one year	6	<u>(120,992)</u>	<u>(48,694)</u>
Net current assets		<u>271,622</u>	<u>276,010</u>
Total assets less current liabilities		<u>271,622</u>	<u>276,010</u>
Creditors: amounts falling due after more than one year	7	<u>(270,999)</u>	<u>(280,446)</u>
Net assets/(liabilities)		<u>623</u>	<u>(4,436)</u>
Net assets/(liabilities)		<u>623</u>	<u>(4,436)</u>
Share capital and reserves			
Called-up share capital	10	1	1
Hedging and translation reserve	11	(3,839)	(5,850)
Profit and loss account	11	4,461	1,413
Shareholder's funds/(deficit)	12	<u>623</u>	<u>(4,436)</u>

The financial statements of Mitie Treasury Management Limited (registered number 07351242) were approved by the Board of directors and authorised for issue on 1st July 2014.

Signed on its behalf by:



S C Baxter
Director

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.

Other operating income

Other operating income represents management charges receivable from other group companies. Other operating income from the supply of management services represents the value of services provided to the extent that there is a right to consideration and is recorded at the value of the consideration due.

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.

Cash flow statement

The Company has taken the exemption from the requirement to prepare a cash flow statement, as it is included within the consolidated financial statements of Mitie Group plc and greater than 90% of the voting rights of the Company are held by Mitie Group plc.

Notes to the financial statements (continued)**For the year ended 31 March 2014****1. Accounting policies (continued)****Derivative financial instruments and hedge accounting**

The Company has chosen to adopt FRS 26 ('Financial Instruments: Recognition and Measurement'), FRS 23 ('The Effects of Changes in Foreign Exchange Rates'), FRS 24 ('Financial Reporting in Hyperinflationary Economies') and FRS 29 ('Financial Instruments: Disclosures').

The Company uses derivative financial instruments, such as cross currency interest rate swaps, to manage its exposure to financial risks associated with interest rates and foreign exchange. Derivative financial instruments are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured at their fair value, determined by reference to market rates, at each balance sheet date and included as financial assets or liabilities as appropriate. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Fair value hedges

Hedges are classified as fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the profit and loss account relating to the hedged item. Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the profit or loss from that date.

Cash flow hedges

Hedges are classified as cash flow hedges when they hedge the exposure to changes in cash flows that are attributable to a particular risk associated with either a recognised asset or liability or a forecast transaction. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the statement of total recognised gains and losses and accumulated in equity within the Company's hedging and translation reserve. The gain or loss relating to any ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in the statement of total recognised gains and losses and accumulated in equity are reclassified to profit or loss in the years when the hedged item is recognised in profit or loss, in the same line of the profit and loss account as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial liability. Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in the statement of total recognised gains and losses at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

The use of financial derivatives is governed by group policies and reviewed regularly. Group policy is not to trade in financial instruments.

Mitie Treasury Management Limited
Notes to the financial statements (continued)
For the year ended 31 March 2014

07351242

2. Operating profit

	2014	2013
	£'000	£'000
Operating profit is stated after charging		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	6	-
	<u> </u>	<u> </u>

Audit fees of £nil (2013: £8,000) were borne by Mitie Group plc 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. Interest

	2014	2013
	£'000	£'000
<i>Interest receivable and similar income</i>		
Bank interest	12,657	5,344
Interest on intercompany loans	3,190	5,928
Foreign exchange gains	1,597	966
	<u> </u>	<u> </u>
	<u>17,444</u>	<u>12,268</u>
<i>Interest payable and similar charges</i>		
Private placement interest and fees	(9,588)	(5,464)
Bank interest and fees	(3,780)	(4,043)
(Loss) / Gain arising on derivatives in a designated fair value hedge	(3,785)	2,441
Gain / (Loss) arising on adjustment for the hedge item in a designated fair value hedge	4,013	(2,608)
Foreign exchange losses	(1,624)	(985)
	<u> </u>	<u> </u>
	<u>(14,764)</u>	<u>(10,659)</u>

Notes to the financial statements (continued)

For the year ended 31 March 2014

4. Tax on profit on ordinary activities

	2014 £'000	2013 £'000
(a) Analysis of credit in the year		
United Kingdom corporation tax 23% (2013: 24%)	911	459
Adjustment in respect of prior years	-	-
	<hr/>	<hr/>
Total current tax (Note 4(b))	911	459
	<hr/>	<hr/>
Tax on profit on ordinary activities	<u>911</u>	<u>459</u>

(b) Factors affecting tax credit in the year

The tax assessed for the year is equal to that resulting from applying the standard rate of corporation tax in the UK of 23% (2013: 24%).

The Finance Bill 2013, enacted as the Finance Act 2013 in July 2013 reduced the corporation tax rate from 23% to 21% with effect from 1 April 2014 with a further reduction to 20% from 1 April 2015. This will reduce the Company's future tax charge accordingly, and hence the rate of 20% has been used to calculate the position on deferred tax at the year-end (2013: 23%). The directors are not aware of any other factors that will materially affect the future tax charge.

5. Debtors

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Amounts owed by Group undertakings	281,978	279,028
Prepayments and accrued interest receivable	1,599	865
	<hr/>	<hr/>
	283,577	279,893
	<hr/>	<hr/>
Amounts falling due after more than one year:		
Derivative financial instruments hedging private placement notes	-	3,965
	<hr/>	<hr/>
	-	3,965
	<hr/>	<hr/>

Notes to the financial statements (continued)

For the year ended 31 March 2014

6. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Bank loans and overdrafts	(117,400)	(45,062)
Corporation tax	(381)	(458)
Other creditors	(23)	(140)
Accrued interest payable	(3,188)	(3,034)
	<u>(120,992)</u>	<u>(48,694)</u>

All creditors falling due within one year are held at amortised cost.

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

	2014 £'000	2013 £'000
Bank loans	(15,497)	(18,740)
Private placement notes	(245,172)	(261,323)
Derivative financial instruments hedging private placement notes	(10,330)	(383)
	<u>(270,999)</u>	<u>(280,446)</u>

With the exception of derivative financial instruments and the private placement notes, all creditors falling due after more than one year are held at amortised cost.

The banking loans facilities and private placement notes are unsecured but have financial and non-financial covenants and obligations commonly associated with these arrangements.

Further details can be found in note 24 of the Group's annual report which does not form part of this report.

Notes to the financial statements (continued)

For the year ended 31 March 2014

7. Creditors: amounts falling due after more than one year (continued)

Private placement notes

On 13 December 2012, the Company issued US\$153.0m and £55.0m of private placement ('PP') notes in the United States Private Placement market. This followed the issue on 16 December 2010 of US\$96.0m and £40.0m of PP notes in the United States Private Placement market. The PP notes are unsecured and rank pari passu with other senior unsecured indebtedness of the Company. In order to manage the risk of foreign currency fluctuations and to manage the Company's finance costs through a mix of fixed and variable rate debt, the Company has entered into cross currency interest rate swaps. The swap contracts have the same duration and other critical terms as the borrowings and are considered to be highly effective. The amount, maturity and interest terms of the PP notes are as shown below:

Tranche	Maturity date	Amount	Interest terms	Swap interest
7 year	16 December 2017	US \$48.0m	US\$ fixed at 3.39%	£ fixed at 3.88%
7 year	16 December 2017	US \$48.0m	US\$ fixed at 3.39%	£ LIBOR + 1.26%
9 year	16 December 2019	£40.0m	£ fixed at 4.38%	n/a
10 year	16 December 2022	US \$76.0m	US\$ fixed at 3.85%	£ fixed at 4.05%
10 year	16 December 2022	US \$77.0m	US\$ fixed at 3.85%	£ fixed at 4.02%
10 year	16 December 2022	£25.0m	£ fixed at 3.87%	n/a
12 year	16 December 2024	£30.0m	£ fixed at 4.04%	n/a

The weighted average interest rates paid during the year on the overdrafts and loans outstanding were as follows:

	2014 %	2013 %
Overdrafts	2.5	1.9
Bank loans	1.9	1.9
Private placement notes	3.8	3.8

8. Derivative financial instruments

The carrying values of derivative financial instruments at the balance sheet date were as follows:

	Assets 2014 £'000	Assets 2013 £'000	Liabilities 2014 £'000	Liabilities 2013 £'000
Cross currency interest rate swaps designated as cash flow hedges	-	790	(9,721)	(383)
Cross currency interest rate swaps designated as fair value hedges	-	3,176	(609)	-
Derivative financial instruments hedging private placement notes	-	3,966	(10,330)	(383)

Derivative financial instruments are measured at fair value. Fair values of derivative financial instruments are calculated based on a discounted cash flow analysis using appropriate market information for the duration of the instruments.

Fair value measurements are classified into three levels, depending on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from other observable inputs for the asset or liability; and
- Level 3 fair value measurements are those derived from valuation techniques using inputs that are not based on observable market data.

We consider that the derivative financial instruments fall into Level 2.

Notes to the financial statements (continued)

For the year ended 31 March 2014

9. Financial risk management

Risk management objectives

The Company's treasury function monitors and manages the financial risks relating to the operations of the Company. These risks include those arising from interest rates, foreign currencies, liquidity, credit and capital management. The Company seeks to minimise the effects of these risks by using effective control measures and, where appropriate, derivative financial instruments to hedge certain risk exposures. The use of financial derivatives is governed by Group policies and reviewed regularly. Group policy is not to trade in financial instruments. The risk management policies remain unchanged from the previous year.

The carrying value of private placement loan notes at 31 March 2014 includes a fair value adjustment for interest rate and currency risk of £0.6m (2013: £1.7m). The FV of private placement loan notes is not significantly different from their carrying value.

Interest rate risk

The Company's activities expose it to the financial risks of interest rates. The Company's treasury function reviews its risk management strategy on a regular basis and will appropriately enter into derivative financial instruments in order to manage interest rate risk. Having issued US\$249.0m and £95.0m of notes in the US PP fixed rate market, the Company has swapped US\$48.0m into floating rate debt. Details of derivative financial instruments are given in *Derivative financial instruments note 8* below.

Interest rate sensitivity

The interest rate sensitivity has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. All financial liabilities, other than financing liabilities, are interest free.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Company's profit after tax for the year ended 31 March 2014 and reserves would decrease/increase by £0.02m (2013: £0.007m).

Foreign currency risk

The Company has limited exposure to transactional foreign currency risk from trading transactions in currencies other than its functional currency. The Company considers the need to hedge its exposures appropriately and will enter into forward foreign exchange contracts to mitigate any significant risks.

In addition, the Company has fully hedged the US dollar exposure on its PP notes into Sterling using cross currency interest rate swaps (see *Hedging activities* below).

At 31 March 2014 £0.04m (2013: none) of cash and cash equivalents were held in foreign currencies. Included in bank loans were £0.5m (2013: £0.3m) of loans denominated in foreign currency.

Liquidity risk

The Company monitors its liquidity risk using a cash flow projection model which considers the maturity of its assets and liabilities and the projected cash flows from operations.

The tables below summarise the maturity profile (including both undiscounted interest and principal cash flows) of the Company's financial assets and liabilities:

	Within one year £'000	In the second to fifth years £'000	After five years £'000	Total £'000
Financial assets at 31 March 2014				
Trade receivables	-	-	-	-
Financing assets	-	-	-	-
Cash and cash equivalents	109,037	-	-	109,037
Financial assets	109,037	-	-	109,037

Notes to the financial statements (continued)

For the year ended 31 March 2014

9. Financial risk management (continued)

Liquidity risk (continued)

Financial assets at 31 March 2013	Within one year £'000	In the second to fifth years £'000	After five years £'000	Total £'000
Trade receivables	-	-	-	-
Financing assets	-	-	-	-
Cash and cash equivalents	40,846	-	-	40,846
Financial assets	40,846	-	-	40,846

Financial liabilities at 31 March 2014	Within one year £'000	In the second to fifth years £'000	After five years £'000	Total £'000
Bank loans and overdrafts	132,897	-	-	132,897
Private placement notes	-	58,172	187,000	245,172
Other	-	-	-	-
Financial liabilities	132,897	58,172	187,000	376,069

Financial liabilities at 31 March 2013	Within one year £'000	In the second to fifth years £'000	After five years £'000	Total £'000
Bank loans and overdrafts	46,324	19,816	-	66,140
Private placement notes	9,546	103,668	225,704	338,981
Other	-	-	400	400
Financial liabilities	55,870	123,484	226,104	405,458

Credit risk

The Company's credit risk is monitored on an ongoing basis and formally reported quarterly. The value of business placed with financial institutions is reviewed on a daily basis.

The Company's credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies and are managed through regular review.

The carrying value of derivative financial instruments materially represents the maximum exposure to credit risk.

Capital management risk

The Company manages its capital to ensure it will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of debt and equity. The Company's capital structure is reviewed regularly. The Company is not subject to externally imposed regulatory capital requirements.

Hedging activities*Cash flow hedges*

The Company holds a number of cross currency interest rate swaps designated as cash flow hedges. Bi-annual fixed interest cashflows arising over the periods to December 2017 and December 2022 and denominated in US\$ from the US Private Placement market are exchanged for fixed interest cash flows denominated in Sterling. The Company also holds a number of forward exchange currency contracts designated as hedges of highly probable forecast transactions. All cash flow hedges were assessed as being highly effective as at 31 March 2014.

Notes to the financial statements (continued)

For the year ended 31 March 2014

9. Financial risk management (continued)

Hedging activities (continued)

Fair value hedges

The Company holds a number of cross currency interest rate swaps designated as fair value hedges. Fixed interest cashflows denominated in US\$ from the US Private Placement market are exchanged for floating interest cash flows denominated in Sterling. All fair value hedges were assessed as being highly effective as at 31 March 2014.

10. Called-up share capital

	2014 £'000	2013 £'000
Allotted and called-up share capital		
- 1,000 £1 Ordinary shares	1	1
	<u>1</u>	<u>1</u>

11. Reserves

	Hedging and translation reserve £'000	Profit and loss account £'000
At 1 April 2013	(5,850)	1,413
Profit for the financial year	-	3,048
Cash flow hedges - loss during the year	(10,127)	-
Cash flow hedges - reclassification adjustment for gains included in profit and loss	12,138	-
	<u>(3,839)</u>	<u>4,461</u>
At 31 March 2014		

12. Reconciliation of movement in shareholder's funds/(deficit)

	2014 £'000	2013 £'000
Profit for the financial year	3,048	1,454
Cash flow hedges - loss / (gain) during the year	(10,127)	2,847
Cash flow hedges - reclassification adjustment for gain / (loss) included in profit and loss	12,138	(8,072)
	<u>5,059</u>	<u>(3,771)</u>
Net addition / (reduction) to shareholder's funds		
Opening shareholder's (deficit)	(4,436)	(665)
	<u>623</u>	<u>(4,436)</u>
Closing shareholder's funds / (deficit)		

Notes to the financial statements (continued)

For the year ended 31 March 2014

13. Financial commitments

The Company had no commitments in respect of operating leases at the end of the current or prior year.

Capital commitments

The Company did not have any outstanding capital commitments that were not provided for at the end of the current year.

Commitments on behalf of group undertakings

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

	2014 £'000	2013 £'000
Overall commitment	3,668	2,674

14. DIRECTORS

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 the Company and as directors or employees of other group companies.

Director	Remunerated by
S C Baxter	Mitie Group plc
R McGregor-Smith	Mitie Group plc

15. Related party transactions

The Company has taken the exemption available under FRS 8 not to disclose transactions with other wholly-owned subsidiaries of Mitie Group plc. There were no transactions with entities other than members of Mitie Group plc which require disclosure under FRS 8.

16. Ultimate parent undertaking and controlling party

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.

17. Employees

Mitie Treasury Management Limited had no employees in the year ended 31 March 2014 (2013: none)