

Mitie Business Services UK Limited

Annual Report and Financial Statements

Registered number 07807297

31 March 2018

THURSDAY

F



A7WVFMER
A13 10/01/2019 #159
COMPANIES HOUSE

L7L92383
L14 21/12/2018 #147
COMPANIES HOUSE

Contents

Company information	1
Strategic report	2
Directors' report	4
Statement of Directors' responsibilities in respect of the annual report and the financial statements	6
Profit and loss account	7
Balance sheet	8
Statement of changes in equity	9
Notes	10

Company information

Directors

R J Blumberger
P J G Dickinson
J H J Gilding

Company Secretary

Mitie Company Secretarial Services Limited

Registered office

Level 12
The Shard
32 London Bridge Street
London
SE1 9SG

Strategic report

Mitie Business Services UK 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 throughout the UK. There have not been any significant changes in the Company's principal activities in the year under review, and the Directors are not aware of any likely major changes.

As shown in the Company's profit and loss account on page 7, the Company's turnover was £17,397,000 (2017: £17,419,000) and the profit after tax was £1,947,000 (2017: £787,000).

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 light of the Group Risk Framework. The Directors do not believe there to be any significant risks other than those detailed below.

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. We are closely monitoring the outcomes of the European Union exit negotiations and any resulting policy changes to determine the impact on future contract opportunities and availability of resources.

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.

Strategic report *(continued)*

Operational Risks

Significant health, safety or environmental incidents

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 closely monitored.

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 underpin 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.

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 in the forthcoming year. The business continues to transition into a technology and digital service provider and the current market landscape feels buoyant with a good level of opportunity for innovative and technology enabled providers.

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:



R J Blumberger
Director

17 December 2018

Directors' report

The Directors present the Annual Report and Financial Statements of Mitie Business Services UK Limited ('the Company') for the year ended 31 March 2018.

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 are:

Director	Date of appointment	Date of resignation
R J Blumberger	30/11/2017	
P J G Dickinson	30/11/2017	
J H J Gilding		
L D Barnet		30/11/2017
R D Forsyth		27/04/2017
M A Freeman		19/04/2017
J S Sheridan		06/10/2017

Dividends

No dividend was declared or paid in the year (2017: £2.399 per A Ordinary share and £0.080 per B Ordinary share).

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 road shows, 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.

Other information

An indication of likely future developments in the business, discussion of financial risk management, 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.

By order of the Board



R J Blumberger
Director

Level 12
The Shard
32 London Bridge Street
SE1 9SG

67 December 2018

Statement of Directors' responsibilities in respect of the annual report and 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;
- 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.

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

Profit and loss account

	<i>Note</i>	2018 £000	2017 ¹ £000
Turnover	4	17,397	17,419
Cost of sales		(14,900)	(15,317)
		<hr/>	<hr/>
Gross profit		2,497	2,102
Administrative expenses		(208)	(1,160)
		<hr/>	<hr/>
Operating profit	5	2,289	942
Other interest receivable and similar income	8	114	50
Interest payable and similar expenses		-	(1)
		<hr/>	<hr/>
Profit before taxation		2,403	991
Tax on profit	9	(456)	(204)
		<hr/>	<hr/>
Profit for the financial year		1,947	787
		<hr/> <hr/>	<hr/> <hr/>

Note:

1. The Company has applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See Note 2.

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 current or prior year. Accordingly, no statement of other comprehensive income has been prepared.

Balance sheet

	<i>Note</i>	2018 £000	2017¹ £000
Non-current assets			
Tangible assets	10	66	88
		<u>66</u>	<u>88</u>
Current assets			
Debtors (including £21,000 due after more than one year 2017: £28,000)	11	3,996	2,597
Cash at bank and in hand		2,739	1,967
		<u>6,735</u>	<u>4,564</u>
Creditors: amounts falling due within one year	13	(2,489)	(2,471)
Deferred income	12	(179)	-
Net current assets		<u>4,067</u>	<u>2,093</u>
Total assets less current liabilities		<u>4,133</u>	<u>2,181</u>
Creditors: amounts falling due after more than one year	14	(22)	(28)
Net assets		<u>4,111</u>	<u>2,153</u>
Capital and reserves			
Called up share capital	18	219	219
Share premium account	18	206	206
Profit and loss account	18	3,686	1,728
Shareholders' funds		<u>4,111</u>	<u>2,153</u>

Notes:

1. The Company has applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See Note 2.

The Company is entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies for the year ended 31 March 2018.

The members have not required the Company to obtain an audit of its financial statement for the year ended 31 March 2018 in accordance with section 476 of the Companies Act 2006

The Directors acknowledge their responsibilities for:

(a) ensuring that the Company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006; and

(b) preparing financial statements which give a true and fair view of the state of affairs of the Company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements for the Companies Act 2006 relating to financial statements, so far as applicable to the Company.

The financial statements of Mitie Business Services UK Limited, company number 07807297, were approved by the Board of Directors and authorised for issue on 19 December 2018 and were signed on its behalf by:


R J Blumberger
Director

Statement of changes in equity

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2016	219	206	1,467	1,892
Profit for the year	-	-	787	787
Total comprehensive income for the year	-	-	787	787
Share-based payments	-	-	12	12
Tax on share based payments	-	-	(1)	(1)
Dividends	-	-	(537)	(537)
Total contributions by and distributions to owners	-	-	(526)	(526)
Balance at 31 March 2017	219	206	1,728	2,153

	Called up share capital £000	Share Premium Account £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2017	219	206	1,728	2,153
Impact of change in accounting policy ¹	-	-	(2)	(2)
Adjusted balance at 1 April 2017	219	206	1,726	2,151
Profit for the year	-	-	1,947	1,947
Total comprehensive income for the year	-	-	1,947	1,947
Share-based payments	-	-	13	13
Total contributions by and distributions to owners	-	-	13	13
Balance at 31 March 2018	219	206	3,686	4,111

Note:

1. The Company has applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See Note 2.

Notes

1 Accounting policies

Mitie Business Services UK Limited (the "Company") is a private company limited by shares and is incorporated in England and Wales and domiciled in the UK. The Company's registered number is 07807297. The Company's registered office is Level 12, The Shard, 32 London Bridge Street, SE1 9SG. Details of the Company's activities are set out in the Strategic Report.

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").

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.

Early adoption of IFRS 15

The Company decided to early adopt IFRS 15 *Revenue from Contracts with Customers*, with a date of initial application of 1 April 2017. As a result, the Company has changed its accounting policies and updated its internal processes and controls relating to revenue recognition.

The Company has applied IFRS 15 using the cumulative effect method - i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 April 2017, calculated only for those contracts that were not completed as at 1 April 2017. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 *Revenue* and IAS 11 *Construction contracts*.

IFRS 15 provides a single, principles based five-step model to be applied to all sales contracts as outlined below. It is based on the transfer of control of goods and services to customers and replaces the separate models for goods, services and construction contracts.

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

Notes (continued)

1 Accounting policies (continued)

Early adoption of IFRS 15 (continued)

Set out below is the revenue recognition policy under IFRS 15 and the five-step model together with the impact of adopting the standard.

Step 1 - Identify the contract(s) with a customer

For all contracts with customers, the Company determines if the arrangement creates enforceable rights and obligations. This assessment results in certain Framework arrangements or Master Service Agreements (MSAs) not meeting the definition of a contract under IFRS 15 unless it specifies the minimum quantities to be ordered. Usually the work order and any change orders together with the Framework or MSA will constitute the IFRS 15 contract.

Contract modifications

A contract modification takes place when the amendment creates new enforceable rights and obligations or changes the existing price or scope (or both) of the contract, and the modification has been approved. Contract modifications can be approved in writing, by oral agreement, or implied by customary business practices.

If the parties to the contract have not approved a contract modification, revenue is recognised in accordance with the existing contractual terms. If a change in scope has been approved but the corresponding change in price is still being negotiated, the Company estimates the change to the total transaction price.

Contract modifications are accounted for as a separate contract if the contract scope changes due to the addition of distinct goods or services and the change in contract price reflects the standalone selling price of the distinct good or service. The facts and circumstances of any modification are considered in isolation as these are specific to each contract and may result in different accounting outcomes.

Step 2 - Identify the performance obligations in the contract

Performance obligations are the contractual promises by the Company to transfer distinct goods or services to a customer. For arrangements with multiple components to be delivered to customers such as in the Company's integrated facilities management contracts, the Company applies judgement to consider whether those promised goods and services are:

- i. Distinct and accounted for as separate performance obligations;
- ii. Combined with other promised goods or services until a bundle is identified that is distinct; or
- iii. Part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer over time i.e. where the customer is deemed to have simultaneously received and consumed the benefits of the goods or services over the life of the contract, the Company treats the series as a single performance obligation.

Step 3 - Determine the transaction price

At contract inception, the total transaction price is determined, being the amount to which the Company expects to be entitled and has rights under the current contract. This includes the fixed price stated in the contract and an assessment of any variable consideration, up or down, resulting from e.g. discounts, rebates, service penalties. Variable consideration is typically estimated based on the expected value method and is only recognised to the extent it is highly probable that a subsequent change in its estimate would not result in a significant revenue reversal.

Step 4 - Allocate the transaction price to the performance obligations in the contract

The Company allocates the total transaction price to the identified performance obligations based on their relative stand-alone selling prices. This is predominantly based on an observable price or a cost plus margin arrangement.

Notes (continued)

1 Accounting policies (continued)

Early adoption of IFRS 15 (continued)

Step 5 - Recognise revenue when or as the entity satisfies its performance obligations

For each performance obligation, the Company determines if revenue will be recognised over time or at a point in time. Where revenue is recognised over time, the Company applies the relevant output or input revenue recognition method for measuring progress that faithfully depicts the Company's performance in transferring control of the goods and services to the customer.

Certain contracts use output methods based upon surveys of performance completed, appraisals of results achieved, or milestones reached which allow the Company to recognise revenue on the basis of direct measurements of the value to the customer of the goods and services transferred to date relative to the remaining goods and services under the contract.

Under the input method, measured progress and revenue are recognised in direct proportion to costs incurred where the transfer of control is most closely aligned to the Company's efforts in delivering the service.

Where deemed appropriate, the Company will utilise the practical expedient within IFRS15, allowing revenue to be recognised at the amount which the Company has the right to invoice, where that amount corresponds directly with the value to the customer of the Company's performance completed to date.

If performance obligations do not meet the criteria to recognise revenue over time, revenue is recognised at the point in time when control of the good or service passes to the customer. This may be at the point of physical delivery of goods and acceptance by a customer or when the customer obtains control of an asset or service in a contract with customer-specified acceptance criteria.

Repeat service-based contracts (single and bundled contracts)

The Company operates a number of single or joint-service line arrangements where repeat services meet the definition of a series of distinct services that are substantially the same (e.g. the provision of cleaning, security, catering, waste, and landscaping services). They have the same pattern of transfer of value to the customer as the series constitutes core services provided in distinct time increments (e.g. monthly or quarterly). The Company therefore treats the series of such services as one performance obligation.

Short-term service-based arrangements

The Company delivers a range of other short-term service based performance obligations and professional services work across certain reporting segments for which revenue is recognised at the point in time when control of the service has transferred to the customer. This may be at the point when the customer obtains control of the service in a contract with customer-specified acceptance criteria e.g. the delivery of a strategic operating model or report.

Sales of goods are recognised when goods are delivered and control has passed to the customer.

Other revenue

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Contract assets

Pre-contract costs

The Company incurs pre-contract expenses (e.g. legal costs) when it is expected to enter into a new contract. The incremental costs to obtain a contract with a customer are recognised within contract assets if it is expected that those costs will be recoverable. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense in the period.

Notes (continued)

1 Accounting policies (continued)

Early adoption of IFRS 15 (continued)

Contract fulfilment costs

Costs incurred to ensure that the project or programme has appropriate organisational, operational and technical infrastructures, and mechanisms in place to enable the delivery of full services under the contract target operating model, are defined as contract fulfilment costs. Only costs which meet all three of the criteria below are included within contract assets on the balance sheet:

- i. the costs directly relate to the contract (e.g. direct labour, materials, sub-contractors);
- ii. the Company is building an asset that belongs to the customer that will subsequently be used to deliver contract outcomes;
- iii. the costs are expected to be recoverable i.e. the contract is expected to be profitable after amortising the capitalised costs.

Contract fulfilment costs covered within the scope of another accounting standard, such as inventories, intangible assets, or property, plant and equipment are not capitalised as contract fulfilment assets but are treated according to the other standard.

Amortisation and impairment of contract assets

The Company amortises contract assets (pre-contract costs and contract fulfilment costs) on a systematic basis that is consistent with the entity's transfer of the related goods or services to the customer. The expense is recognised in profit or loss in the period.

A capitalised pre-contract cost or contract fulfilment cost is derecognised either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

The Company is required to determine the recoverability of contract related assets at each reporting date. An impairment exists if the carrying amount of any asset exceeds the amount of consideration the entity expects to receive in exchange for providing the associated goods and services, less the remaining costs that relate directly to providing those goods and services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price which includes estimates around variable consideration. An impairment is recognised immediately where such losses are forecast.

Accrued income and deferred income

The Company's customer contracts include a diverse range of payment schedules which are often agreed at the inception of long-term contracts under which it receives payments throughout the term of the arrangement. Payments for goods and services transferred at a point in time may be at the delivery date, in arrears or part payment in advance.

Where revenue recognised at the period end date is more than amounts invoiced, the Company records accrued income for the difference. Where revenue recognised at the period end date is less than amounts invoiced, the Company recognises deferred income for the difference.

Certain arrangements with customers include a contractual obligation to make redundancies for which the Company is reimbursed for the costs incurred. Revenue is not recognised on these transactions. Instead, the Company expenses all redundancy costs in the period they are incurred and any reimbursement credit is matched against the associated cost included in the income statement up to the value of the redundancy cost incurred. Any cash payments received from the customer in excess of the reimbursement cost of redundancy are deferred over the contract term and unwound in line with the other services being delivered.

Where price step-downs are required in a contract and output is not decreasing, revenue is deferred from initial years to subsequent years in order for revenue to be recognised on a consistent basis.

Providing the option for a customer to obtain extension periods or other services at a significant discount may lead to a separate performance obligation where a material right exists. Where this is the case, the Company allocates part of the transaction price from the original contract to deferred income which is then amortised over the discounted extension period or recognised immediately when the extension right expires.

Notes (continued)

1 Accounting policies (continued)

The company has early adopted the Triennial review 2017 amendments to FRS 101, and therefore has applied the exemptions available to the disclosure requirements of IFRS 15 *Revenue from Contracts with Customers* in respect of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129. These disclosure exemptions generally relate to the qualitative and quantitative information about its contracts with customers, the significant judgements made in applying the standard, and any assets recognised from the costs to obtain or fulfil a contract with a customer.

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 and tangible fixed assets;
- 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;
- Disclosure in respect of related party transactions entered into between wholly owned subsidiaries, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

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.

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 3.

Measurement convention

The financial statements are prepared on the historical cost basis.

Invoice discounting

The Company uses a non-recourse customer invoice discounting facility under which certain trade receivable balances are sold to the Company's relationship banks. The trade receivables are sold without recourse to the Company and therefore the trade receivable balance is derecognised.

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 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 uncollectible 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.

Employee benefits

Retirement benefit costs

The Company participates in a number of 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. 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.

The Company also participates in a number of 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.

Share-based payments

The Company participates in a number of Mitie Group plc executive and employee share option schemes. For grants of share options and awards, 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 eventually vest. Further details of the Group's share option schemes are contained in the Mitie Group plc annual report.

Save As You Earn (SAYE) options are treated as cancelled when employees cease to contribute to the scheme, resulting in an acceleration of the remainder of the related expense.

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 non-current 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).

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 is estimated to be less than its carrying amount, the carrying amount of the asset 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 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Turnover under IAS 18 in relation to prior year

Turnover represents income recognised in respect of services provided during the period (stated net of sales taxes) and is earned within the United Kingdom. Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover 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.

All bid costs are expensed through the profit and loss account up to the point where contract award or full recovery of the costs is virtually certain. The confirmation of the preferred bidder for a contract by a client is the point at which the award of a contract is considered to be virtually certain.

Turnover from a contract to provide services is recognised by reference to the stage of completion of the contract at the balance sheet date. Turnover from time and material contracts is recognised at the contractual rates as labour hours and tasks are delivered and direct expenses incurred. In other cases, the Company distinguishes between the following types of contract:

Recognition: repeat service-based contracts (single and bundled contracts) under IAS 11 and IAS 18 in relation to prior year

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, that are specific costs incurred to ensure that the project or programme has appropriate organisational, operational and technical infrastructures and mechanisms in place to enable the delivery of full services under the contract target operating model are defined as mobilisation costs. These costs are 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.

Such costs may be incurred when a contract is awarded, or when there is a subsequent change in the scope of contracted services. The mobilisation costs are amortised over the contracted period (including any contracted extension periods), generally on a straight-line basis, or on a basis to reflect the profile of work to be performed over the contracted period 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 and the expected loss is provided for immediately.

Notes (continued)

1 Accounting policies (continued)

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 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.

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 when the Company intends to settle its current tax assets and liabilities on a net basis.

Notes (continued)

1 Accounting policies (continued)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. The adoption of the changes set out below has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*.
- Amendments to IAS 7 *Disclosure Initiative*.
- Amendments to IFRS included in the *Annual Improvements to IFRS Standards 2014-2016 Cycle*.

New standards not yet adopted

The Company has taken the exemption available under FRS 101 in respect of not disclosing the impact of new standards that are not yet in effect.

2 Explanation of transition to IFRS 15

The following tables summarise the impacts of adopting IFRS 15 on the Company's financial statements for the year ending 31 March 2018.

Reconciliation of equity

	31 March 2018				
	Balances without adoption of IFRS15	Adjustments		2018 as reported	2017 ¹
	£000	A £000	C £000	£000	£000
Non-current assets					
Tangible assets	66	-	-	66	88
	<u>66</u>	<u>-</u>	<u>-</u>	<u>66</u>	<u>88</u>
Current assets					
Trade debtors	-	-	-	-	5
Mobilisation costs	33	(33)	-	-	2
Amounts owed by Group undertakings	3,401	-	-	3,401	1,692
Other debtors	65	-	-	65	96
Deferred tax asset	21	-	-	21	26
Prepayments	58	-	-	58	58
Accrued income	415	-	-	415	705
Interest receivable	36	-	-	36	13
Cash at bank and in hand	2,739	-	-	2,739	1,967
	<u>6,768</u>	<u>(33)</u>	<u>-</u>	<u>6,735</u>	<u>4,564</u>

Notes (continued)

2 Explanation of transition to IFRS 15 (continued)

Creditors: amounts due within one year

Obligations under finance leases	(26)	-	-	-	(26)	(14)
Trade creditors	(504)	-	-	-	(504)	(678)
Amounts owed to Group undertakings	(100)	-	-	-	(100)	(141)
Taxation and social security	(149)	-	-	-	(149)	(107)
Other creditors	(126)	-	-	-	(126)	(156)
Accruals	(991)	-	-	-	(991)	(991)
Deferred income	(179)	-	179	-	-	(241)
Corporation tax	(599)	-	-	6	(593)	(143)
	<u>(2,674)</u>	<u>-</u>	<u>179</u>	<u>6</u>	<u>(2,489)</u>	<u>(2,471)</u>

Deferred income: contract liabilities	-	-	(179)	-	(179)	-
---------------------------------------	---	---	-------	---	-------	---

Net current assets	4,094	(33)	-	6	4,067	2,093
---------------------------	--------------	-------------	----------	----------	--------------	--------------

Total assets less current liabilities	4,160	(33)	-	6	4,133	2,181
--	--------------	-------------	----------	----------	--------------	--------------

Creditors: amounts falling due after more than one year

Obligations under finance leases	(22)	-	-	-	(22)	(28)
Deferred income	4,138	(33)	-	6	4,111	2,153

Provisions for liabilities

Net assets/(liabilities)	4,138	(33)	-	6	4,111	2,153
---------------------------------	--------------	-------------	----------	----------	--------------	--------------

Capital and reserves

Called up share capital	219	-	-	-	219	(219)
Share premium account	206	-	-	-	206	(206)
Profit and loss account	3,713	(33)	-	6	3,686	(1,728)

Shareholders' equity	4,138	(33)	-	6	4,111	2,153
-----------------------------	--------------	-------------	----------	----------	--------------	--------------

Note:

1. The Company has applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated.

Notes (continued)

2 Explanation of transition to IFRS 15 (continued)

Reconciliation of profit

	31 March 2018				
	Balances without adoption of IFRS 15	Adjustments		2018 as reported	2017 ¹
	£000	A £000	C £000	£000	£000
Turnover	17,397	-	-	17,397	17,419
Cost of sales	(14,900)	-	-	(14,900)	(15,318)
Gross profit	2,497	-	-	2,497	2,102
Administrative expenses	(177)	(31)	-	(208)	(1,160)
Operating profit	2,320	(31)	-	2,289	942
Other interest receivable and similar income	114	-	-	114	50
Interest payable and similar expenses	-	-	-	-	(1)
Profit on ordinary activities before taxation	2,434	(31)	-	2,403	991
Tax on profit on ordinary activities	(462)	-	6	(456)	(204)
Profit for the year	1,972	(31)	6	1,947	787

Note:

1. The Company has applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated.

The following table details the impact on net assets as at 1 April 2017 and on the revenue and profit for the year recognised for the year ended 31 March 2018, as a result of the adoption of IFRS 15:

	Net assets	Revenue	Profit for the year
	£000	£000	£000
Balances without adoption of IFRS 15	2,153	17,397	1,972
IFRS 15 adjustments:			
A - Mobilisation assets	(2)	-	(31)
C - Tax	-	-	6
As reported total	2,151	17,397	1,947

Notes *(continued)*

2 Explanation of transition to IFRS 15 (continued)

Adjustment A – Mobilisation assets

IFRS 15 specifies that certain costs to fulfil a contract are to be capitalised as contract assets if relevant criteria are met. The Company has determined that the existing mobilisation asset, whilst appropriate under the previous accounting standard, does not meet the more stringent criteria under IFRS 15.

The Company has therefore derecognised the asset as at 1 April 2017 leading to a decrease in reserves of £2,000.

The adjustment to the profit for the year ended 31 March 2018 is a charge of £31,000 to reverse additions and write back amortisation on the mobilisation balance written off.

Adjustment B – Deferred income

Following the adoption of IFRS 15, the Company has presented deferred income from contracts with customers separately on the balance sheet. The balance of pre-IFRS 15 current deferred income amounting to £179,000 has been reclassified as a result.

Adjustment C – Tax

Due to the changes in the pattern and timing of revenue recognition under IFRS 15, an additional deferred income liability is recognised on the balance sheet from 1 April 2017, via a charge to the opening balance of equity at 1 April 2017. Further, certain assets previously held in accrued income and recognised through the income statement in earlier periods have been derecognised from 1 April 2017, again via a charge to the opening balance of equity at 1 April 2017.

A tax deduction is available at 1 April 2017 for the one-off transitional adjustments recognised in opening equity. The tax impact of the IFRS 15 adjustments on the profit for the year ended 31 March 2018 is a charge of £6,000.

Notes *(continued)*

3 Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgements in applying the Company's accounting policies:

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.

Management made no critical accounting judgements that are considered to have a significant effect on the amounts recognised in the financial statements.

Revenue recognition

The Company's revenue recognition policies, which are set out under IFRS 15 in Note 1 for the current year and under IAS 18 in respect of prior years, are central to how the Company measures the work it has performed in each financial year.

The Company's current policy under IFRS 15

Management is required to form a number of key judgements and assumptions in the determination of the amount of revenue and profits to record, and related balance sheet items such as contract assets, accrued income and deferred income to recognise (refer to Note 1). This includes an assessment of the costs the Company incurs to deliver the contractual commitments and whether such costs should be expensed as incurred or capitalised.

Key sources of estimation uncertainty are as follows:

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below.

There are no key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

Notes *(continued)*

4 Turnover

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

5 Operating profit

Included in profit are the following:

	2018	2017
	£000	£000
Audit fees	-	12
Loss on disposal of tangible fixed assets	2	-
	<u> </u>	<u> </u>

6 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	
	2018	2017
Operations	391	401
Administration	4	3
	<u> </u>	<u> </u>
	395	404
	<u> </u>	<u> </u>

Notes (continued)

6 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	7,799	8,429
Share based payments (see note 17)	14	12
Social security costs	621	638
Termination and redundancy payments	41	10
Pension costs	212	208
	<u>8,687</u>	<u>9,297</u>

7 Directors' remuneration

The Directors are also Directors or employees of other Group companies. 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	Remuneration disclosed by
R J Blumberger	Mitie Group plc	Mitie Limited
P J G Dickinson	Mitie Group plc	Mitie Limited
J H J Gilding	Mitie Business Services Limited	Mitie Business Services Limited
M A Freeman	Mitie Limited	Mitie Limited
J S Sheridan	Mitie Limited	Mitie Limited
R D Forsyth	Mitie Cleaning and Environmental services Ltd	Mitie Cleaning and Environmental services Ltd

L D Barnet received no remuneration for qualifying services as a Director of the Company during the year.

8 Other interest receivable and similar income

	2018 £000	2017 £000
Interest receivable and similar from Group undertakings	114	50
Total interest receivable and similar income	<u>114</u>	<u>50</u>

Notes (continued)

9 Taxation

	2018 £000	2017 £000
<i>Analysis of charge in the year</i>		
UK corporation tax at 19% (2017: 20%)		
Current tax on income for the period	463	211
Adjustments in respect of prior periods	(13)	(2)
Total current tax	450	209
<i>Deferred tax (see note 16)</i>		
Origination and reversal of temporary timing differences	(6)	(9)
Reduction in statutory tax rate	1	2
Adjustments in respect of prior periods	11	2
Total deferred tax	6	(5)
Tax on profit	456	204
	<u>456</u>	<u>204</u>
	2018	2017
	£000	£000
<i>Tax recognised directly in equity</i>		
Current tax	-	-
Deferred tax	-	1
Total tax recognised directly in equity	-	1
	<u>-</u>	<u>1</u>
	2018	2017
	£000	£000
<i>Reconciliation of effective tax rate</i>		
Profit for the year	1,947	787
Total tax expense	456	204
Profit excluding taxation	2,403	991
Tax using the UK corporation tax rate of 19% (2017: 20%)	457	198
Reduction in statutory tax rate on deferred tax balances	1	2
Relief in respect of employee share options	-	4
Adjustments in respect of prior periods	(2)	-
Total tax expense	456	204
	<u>456</u>	<u>204</u>

The main rate of corporation tax will remain at 19% until 1st April 2020 when it will reduce to 17%. These rates have been used to calculate the deferred tax balance as they were substantively enacted at the balance sheet date.

Notes (continued)

10 Tangible fixed assets

	Plant & vehicles £000
Cost	
Balance at 1 April 2017	279
Additions	35
Disposals	(24)
	<hr/>
Balance at 31 March 2018	290
	<hr/>
Depreciation and impairment	
Balance at 1 April 2017	191
Depreciation charge for the year	55
Disposals	(22)
	<hr/>
Balance at 31 March 2018	224
	<hr/>
Net book value	
At 1 April 2017	88
	<hr/>
At 31 March 2018	66
	<hr/>

At 31 March 2018 the net carrying amount of leased plant and machinery was £21,000 (2017: £25,000).

11 Debtors

	2018 £000	2017¹ £000
Trade debtors	-	5
Mobilisation costs	-	2
Amounts owed by group undertakings	3,401	1,692
Other debtors	65	96
Deferred tax assets (see note 16)	21	26
Interest receivable	36	13
Prepayments	58	58
Accrued income	415	705
	<hr/>	<hr/>
Total	3,996	2,597
	<hr/>	<hr/>
Due within one year	3,975	2,569
Due after more than one year	21	28
	<hr/>	<hr/>

Note:

1. The Company has applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See Note 2.

The Directors consider that the carrying amount of trade debtors and other debtors approximates their fair value.

Amounts owed by Group undertakings are interest bearing at a rate of circa 5% (2017: circa 5%) and are repayable on demand.

Notes (continued)

12 Accrued income and deferred income from contracts with customers

	2018 ¹
Deferred income	
Deferred income included within current assets	179
Deferred income included within non-current assets	-
Total deferred income	179

Note:

1. The Company has applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See Note 2.

13 Creditors: amounts falling due within one year

	2018 £000	2017 ¹ £000
Obligations under finance leases (see note 15)	26	14
Trade creditors	504	678
Amounts owed to Group undertakings	100	141
Taxation and social security	149	107
Corporation tax	593	143
Other creditors	126	156
Accruals	991	991
Deferred income	-	241
	2,489	2,471

Note:

1. The Company has applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See Note 2.

The Directors consider that the carrying amount of trade creditors and other creditors approximates their fair value.

Amounts owed by Group undertakings are interest bearing at a rate of circa 5% (2017: circa 5%) and are repayable on demand.

14 Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Obligations under finance leases (see note 15)	22	28
	22	28

Notes *(continued)*

15 Obligations under finance leases

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

	2018	2017
	£000	£000
Creditors falling due more than one year		
Finance lease liabilities	22	28
	22	28
Creditors falling due within less than one year		
Finance lease liabilities	26	14
	26	14

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2018 £000	Interest 2018 £000	Principal 2018 £000	Minimum lease payments 2017 £000	Interest 2017 £000	Principal 2017 £000
Less than one year	26	-	26	14	-	14
Between one and five years	22	-	22	28	-	28
	48	-	48	42	-	42

Notes (continued)

16 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2018 £000	2017 £000	Net 2018 £000	2017 £000
Tangible fixed assets	16	20	16	20
Share-based payments	3	1	3	1
Provisions	2	5	2	5
Net tax liabilities	21	26	21	26

Movement in deferred tax during the current year

	1 April 2017 £000	Recognised in income £000	31 March 2018 £000
Tangible fixed assets	20	(4)	16
Share-based payments	1	2	3
Provisions	5	(3)	2
	26	(5)	21

Movement in deferred tax during the prior year

	1 April 2016 £000	Recognised in income £000	Recognised in equity £000	31 March 2017 £000
Tangible fixed assets	14	6	-	20
Share-based payments	4	(2)	(1)	1
Provisions	4	1	-	5
	22	5	(1)	26

The UK Government announced a reduction in the UK corporation tax rate from 19% to 17% from 1 April 2020, which has been substantively enacted.

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)*

17 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 forfeited 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 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. Matching shares may be forfeited if the employee disposes of the Partnership shares within three years of purchase.

	2018	2017
Weighted average share price at date of exercise	264p	214p
Options outstanding prices	221p to 316p	201p to 319p
Weighted average remaining contractual life	2.4 years	2.7 years

The options outstanding at 31 March 2018 had exercise prices ranging from 221p to 316p (2017: 201p to 319p). During the year, options were granted in July, August, October, November 2017 and January 2018. In 2017, options were granted in May, July, November, December 2016 and January 2017.

The costs of options and conditional awards over the plc Parent Company shares granted to employees of the Company are accounted for as a credit in equity representing a capital contribution from the Parent Company.

Notes *(continued)*

18 Capital and reserves

Share capital authorised and fully paid	At start of year	At end of year	2018 £000	2017 £000
Ordinary Shares				
A Ordinary shares at £1.00 each	216,750	216,750	217	217
B Ordinary shares at £0.01 each	208,250	208,250	2	2
C Ordinary shares at £1.00 each	1	1	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	425,001	425,001	219	219
	<hr/>	<hr/>	<hr/>	<hr/>

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.

Profit and loss account

The profit and loss account comprises the retained earnings and losses of the Company, less amounts distributed to the Company's shareholder.

Share premium account

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

Dividend

The following dividends were recognised during the period:

	2018 £000	2017 £000
£nil (2017: £2.399) per qualifying A ordinary share	-	520
£nil (2017: £0.080) per qualifying B ordinary share	-	17
	<hr/>	<hr/>
	-	537
	<hr/>	<hr/>

19 Related Parties

Under FRS 101 the Company is exempt from disclosing key management personnel compensation and transactions with other companies wholly owned by Mitie Group plc.

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. Full details of the scheme are set out in the Annual Report and Accounts of Mitie Group plc.

The company has taken advantage of the exemption under 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

Notes *(continued)*

20 Subsequent events

There are no material post balance sheet events that require adjustment or disclosure.

21 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Mitie Treasury Management Limited which is the immediate parent company incorporated in England and Wales. The ultimate controlling party is Mitie Group plc, a company incorporated in Scotland with its registered office at 35 Duchess Road, Rutherglen, Glasgow, G73 1AU. 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 Level 12, The Shard, 32 London Bridge Street, SE1 9SG, UK or from www.mitie.com.