

# **Mitie Tilley Roofing Limited**

## **Annual Report and Financial Statements**

**Registered number 00937663**

**31-March 2017**



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## **Company information**

### **Directors**

M G Bishop  
C M Boath  
D Gibson  
J Ridley  
J S Sheridan

### **Company Secretary**

Mitie Company Secretarial Services Limited

### **Registered office**

1 Harlequin Office Park  
Fieldfare  
Emersons Green  
Bristol  
BS16 7FN

### **Auditor**

Deloitte LLP  
Statutory Auditor  
London  
United Kingdom

## Strategic report

Mitie Tilley Roofing 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 is roofing maintenance. There have not been any significant changes in the Company's principal activities in the year under review.

As shown in the Company's profit and loss account on page 10, the Company's revenue was £34.8m (2016: £34.4m) and the profit after tax was £0.6m (2016: £1.3m). The profit has decreased during the year as a result of difficult economic conditions resulting in a decrease in profit margins. The balance sheet shows that the Company's financial position at the year end has, in net asset terms, decreased compared to the prior year due, in part, to a dividend payment in the year.

During the year there was an apparent significant shortfall in the expected profitability of Mitie Group plc, the Company's ultimate parent company, for the year ended 31 March 2017. The Group appointed new executive directors in December and January and they immediately launched an accounting review process to provide confidence that all relevant accounting standards were appropriately reflected in the Group's financial reporting.

Following additional information becoming available, the Group review work has identified a number of prior year errors that, due to their materiality, require the restatement of the Company's results for the year ended 31 March 2016, as well as the balance sheet positions as at 31 March 2016 and at 31 March 2015. These errors are outlined in note 2.

### 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. Details of how to obtain the Group's annual report are set out in note 20.

### Principal risks and uncertainties

The Company is part of the Mitie Group and manages its risks within the Mitie Group Risk Framework. Details of the principal risks and uncertainties are given in the Mitie Group plc annual report. The Directors have reviewed the financial risk management objectives and policies of the Company in the light of the Group Risk Framework. The Directors do not believe there to be any significant risks other than those detailed below.

## Strategic report (continued)

### Principal risks and uncertainties' (continued)

Key risks include:

#### Strategic Risks

##### *Changes in the market and to the economic conditions*

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

#### Financial Risks

##### *Reliance on material counterparties*

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

#### Operational Risks

##### *Significant health, safety or environmental incident*

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

##### *System, process or control failure*

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

##### *Attracting and retaining skilled people*

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

#### 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.

## Strategic report (continued)

### Future developments

The Directors expect the general level of activity to increase in the forthcoming year. This is as a result of general economic conditions improving within the United Kingdom and new contract wins.

### 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:

A handwritten signature in black ink, appearing to be 'M G Bishop', written over a horizontal line.

M G Bishop  
Director

24 July 2017

## Directors' report

The Directors present the Annual Report and audited Financial Statements of Mitie Tilley Roofing Limited ('the Company') for the year ended 31 March 2017.

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

### Going concern

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

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

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

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

### Directors

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

Director	Date of appointment	Date of resignation
M G Bishop	11/01/2017	
C M Boath	16/08/2016	
J I Clarke		11/04/2016
D Gibson	11/01/2017	
P F Mosley		11/04/2016
J Ridley	11/04/2016	
W Robson	11/04/2016	11/01/2017
J S Sheridan	11/01/2017	

### Dividends

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

	2017	2016
	£	£
Ordinary	73.81	106.68

### 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.

## **Directors' report** *(continued)*

### **Political contributions**

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

### **Disclosure of information to auditor**

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

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

### **Other information**

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

### **Employees**

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

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

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



## 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; and
- and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

By order of the board



M G Bishop  
Director

24 July 2017

1 Harlequin Office Park  
Fieldfare  
Emersons Green  
BS16 7FN

## **Independent auditor's report to the members of Mitie Tilley Roofing Limited**

We have audited the financial statements of Mitie Tilley Roofing Limited for the year ended 31 March 2017 which comprise the Profit and loss account, the Balance sheet, the Statement of changes in equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework.

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

### **Respective responsibilities of Directors and auditor**

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

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legislation.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

## Independent auditor's report to the members of Mitie Tilley Roofing 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.



Mark Beddy (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP,  
Statutory Auditor  
London  
United Kingdom

24 July 2017

## Profit and loss account

	<i>Note</i>	<b>2017 Total £000</b>	Restated* 2016 Total £000
<b>Turnover</b>	<b>4</b>	<b>34,810</b>	34,376
Cost of sales		<b>(26,824)</b>	(25,996)
<b>Gross profit</b>		<b>7,986</b>	8,380
Administrative expenses		<b>(7,339)</b>	(6,901)
<b>Operating profit</b>	<b>5</b>	<b>647</b>	1,479
Other interest receivable and similar income	<b>8</b>	<b>78</b>	106
<b>Profit on ordinary activities before taxation</b>		<b>725</b>	1,585
Tax on profit on ordinary activities	<b>9</b>	<b>(150)</b>	(322)
<b>Profit for the financial year</b>		<b>575</b>	1,263

\* The profit and loss account has been restated for 2016, as explained in note 2 to these financial statements.

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

	Note	2017 £000	Restated* 2016 £000
<b>Fixed assets</b>			
<i>Intangible assets</i>			
Goodwill	10	1,213	1,213
<b>Tangible assets</b>	11	16	24
		<u>1,229</u>	<u>1,237</u>
<b>Current assets</b>			
Debtors (including £20,000 due after more than one year (2016: £27,000))	12	6,544	8,415
Cash at bank and in hand		4,586	2,018
		<u>11,130</u>	<u>10,433</u>
Creditors: amounts falling due within one year	13	(8,636)	(7,429)
<b>Net current assets</b>		<u>2,494</u>	<u>3,004</u>
<b>Total assets less current liabilities</b>		<u>3,723</u>	<u>4,241</u>
<b>Net assets</b>		<u>3,723</u>	<u>4,241</u>
<b>Capital and reserves</b>			
Called up share capital	16	15	15
Profit and loss account		3,708	4,226
<b>Shareholders' funds</b>		<u>3,723</u>	<u>4,241</u>

\* The balance sheet has been restated for 2016, as explained in note 2 to these financial statements.

These financial statements of Mitie Tilley Roofing Limited, company number 00937663, were approved by the board of Directors on \_\_\_\_\_ and were signed on its behalf by:

J Ridley  
Director

24 July 2017

## Statement of changes in equity

	Called up Share capital £000	Restated* Profit and loss account £000	Restated* Total equity £000
Balance at 1 April 2015	15	4,465	4,480
Effect of prior year adjustment	-	55	55
Balance at 1 April 2015 restated	15	4,520	4,535
<b>Total comprehensive income for the year</b>			
Profit or loss	-	1,263	1,263
Total comprehensive income for the year	-	1,263	1,263
Transactions with owners, recorded directly in equity			
Equity-settled share based payment transactions	-	38	38
Dividends (see note 16)	-	(1,595)	(1,595)
Total contributions by and distributions to owners	-	(1,557)	(1,557)
<b>Balance at 31 March 2016</b>	15	4,226	4,241

\* The statement of changes in equity has been restated for 2016, as explained in note 2 to these financial statements

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2016 (restated)	15	4,226	4,241
<b>Total comprehensive income for the year</b>			
Profit or loss	-	575	575
Total comprehensive income for the year	-	575	575
Transactions with owners, recorded directly in equity			
Equity-settled share based payment transactions	-	12	12
Dividends (see note 16)	-	(1,105)	(1,105)
Total contributions by and distributions to owners	-	(1,093)	(1,093)
<b>Balance at 31 March 2017</b>	15	3,708	3,723

## Notes

### 1 Accounting policies

Mitie Tilley Roofing Limited (the "Company") is a private company limited by shares and is incorporated in England and Wales and domiciled in the UK. The registered number of the Company is 00937663. The Company's registered office is at 1 Harlequin Office Park, Fieldfare, Emersons Green, Bristol, South Gloucestershire BS16 7FN. 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](http://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.

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;
- Disclosures required by IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

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

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- Disclosures in respect of the compensation of Key Management Personnel.

## Notes (continued)

### 1 Accounting policies (continued)

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.

#### **Classification of financial instruments issued by the Company**

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

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

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

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

Financial liabilities comprise trade payables, financing liabilities, including bank and other borrowings. These are measured at initial recognition at fair value and subsequently at amortised cost.



## 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 - 10 years

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

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

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

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

#### **Intangible assets**

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

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

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

#### **Employee benefits**

##### **Retirement benefit costs**

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

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

## Notes (continued)

### 1 Accounting policies (continued)

#### **Share-based payment transactions**

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

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

#### **Turnover**

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

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:

#### **Revenue recognition: repeat service-based contracts (single and bundled contracts)**

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

Costs incurred, after the 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

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 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 IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016. 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 IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*.
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*.
- Amendments to IAS 1 *Disclosure Initiative*.
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*.
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*.
- Amendments to IAS 27 *Equity Method in Separate Financial Statements*.
- Amendments to IFRSs included in the *Annual Improvements to IFRSs 2012-2014 Cycle*.

#### New standards not yet adopted

The Company has taken the exemption available under FRS101 in respect of not disclosing the impact of new standards that are not yet in effect except for the following:

IFRS 15 introduces a new revenue recognition model and is due to be effective for periods beginning on or after 1 January 2018. It will have a material impact on the reported assets, liabilities and profit and loss account of the Company. The Company is conducting a detailed review of IFRS 15 with the view to early adopting the standard for the year ending 31 March 2018.

The review of the impact of IFRS 15 is continuing and will be completed during 2017. The key impacts identified to date are:

**Percentage of completion accounting on long term complex contracts** – under the 5 step model for revenue recognition introduced by IFRS 15 this method of accounting is no longer considered applicable to integrated complex contracts. Therefore it will not be appropriate to carry forward accrued revenue in relation to percentage of completion accounting on these complex integrated contracts. As at 31 March 2017 this balance was £nil.

**Mobilisation costs** – under IFRS 15 costs of mobilising new contracts will have to meet different criteria in order to be classified as a cost of fulfilling a contract. This change will materially affect both (i) the amount of costs capitalised on complex integrated contracts that have been accounted for under the percentage of completion method and (ii) the amount of costs that have been capitalised previously as mobilisation costs.

IFRS 16 'Leases' will require nearly all leases to be recognised on the balance sheet as liabilities with corresponding assets being created, and will be effective for periods beginning on or after 1 January 2019.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

## Notes (continued)

### 2 Explanation of prior year restatement

During the year there was an apparent significant shortfall in the expected profitability of Mitie Group plc, the Company's ultimate parent company, for the year ended 31 March 2017. The Group appointed new executive directors in December and January and they immediately launched an accounting review process to provide confidence that all relevant accounting standards were appropriately reflected in the Group's financial reporting.

Following additional information becoming available, the Group review work has identified a number of prior year errors that, due to their materiality, require the restatement of the Company's results for the year ended 31 March 2016, as well as the consolidated balance sheet positions as at 31 March 2016 and at 31 March 2015. These errors are outlined below.

A number of under-accruals, or under-provisions, of various categories of costs have been identified in relation to prior years. These costs have now been written off to the profit and loss account in the relevant years and were incurred in relation to employee bonuses that were paid during the years ended 31 March 2016 and 31 March 2017 but related to the financial years ended 31 March 2015 and 31 March 2016 totalling £129,000 (2015: release £70,000 and 2016: charge £199,000).

The tax impacts of these adjustments were a charge to the profit and loss account of £15,000 in 2015 and a credit of £28,000 in 2016.

An explanation of how the prior year restatement has affected the Company's financial position and financial performance is set out in the following tables.

## Notes (continued)

### 2 Explanation of prior year restatement (continued)

#### Reconciliation of equity

	Note	31 March 2015			31 March 2016		
		2015 as previously reported £000	Prior year adjustment £000	2015 restated £000	2016 as previously reported £000	Prior year adjustment £000	2016 restated £000
<b>Fixed assets</b>							
Goodwill	10	1,213	-	1,213	1,213	-	1,213
Tangible fixed assets	11	38	-	38	24	-	24
		<u>1,251</u>	<u>-</u>	<u>1,251</u>	<u>1,237</u>	<u>-</u>	<u>1,237</u>
<b>Current assets</b>							
Trade debtors	12	5,537	-	5,537	5,176	-	5,176
Amounts owed by Group undertakings	12	463	-	463	773	-	773
Other debtors	12	31	-	31	19	1	20
Deferred tax asset	12	43	-	43	27	-	27
Interest receivable	12	-	-	-	-	15	15
Prepayments	12	622	-	622	2,407	(2,188)	219
Accrued income	12	-	-	-	-	2,172	2,172
Corporation tax	12	-	-	-	-	13	13
Cash at bank and in hand		4,110	-	4,110	2,018	-	2,018
		<u>10,806</u>	<u>-</u>	<u>10,806</u>	<u>10,420</u>	<u>13</u>	<u>10,433</u>
<b>Creditors: amounts due within one year</b>	13						
Trade creditors		(3,907)	-	(3,907)	(5,044)	781	(4,263)
Amounts owed to Group undertakings		(1,796)	-	(1,796)	(1,732)	-	(1,732)
Taxation and social security		(870)	-	(870)	(402)	59	(343)
Other creditors		(37)	-	(37)	(28)	-	(28)
Accruals and deferred income		(967)	70	(897)	(94)	(910)	(1,004)
Corporation tax		-	(15)	(15)	-	(59)	(59)
		<u>(7,577)</u>	<u>55</u>	<u>(7,522)</u>	<u>(7,300)</u>	<u>(129)</u>	<u>(7,429)</u>

## Notes (continued)

### 2 Explanation of prior year restatement (continued)

	Note	31 March 2015			31 March 2016		
		2015 as previously reported £000	Prior year adjustment £000	2015 restated £000	2016 as previously reported £000	Prior year adjustment £000	2016 restated £000
<b>Net current assets</b>		3,229	55	3,284	3,120	(116)	3,004
<b>Total assets less current liabilities</b>		4,480	55	4,535	4,357	(116)	4,241
<b>Net assets</b>		4,480	55	4,535	4,357	(116)	4,241
<b>Capital and reserves</b>	16						
Called up share capital		15	-	15	15	-	15
Profit and loss account		4,465	55	4,520	4,342	(116)	4,226
<b>Shareholders' equity</b>		4,480	55	4,535	4,357	(116)	4,241

## Notes (continued)

### 2 Explanation of prior year restatement (continued)

#### Reconciliation of profit

	Note	2016 as previously reported £000	Prior year adjustment £000	2016 restated £000
<b>Turnover</b>	4	34,376	-	34,376
Cost of sales		(25,996)	-	(25,996)
<b>Gross profit</b>		8,380	-	8,380
Administrative expenses		(6,702)	(199)	(6,901)
<b>Operating profit</b>		1,678	(199)	1,479
Other interest receivable and similar income	8	106	-	106
<b>Profit on ordinary activities before taxation</b>		1,784	(199)	1,585
Tax on profit on ordinary activities	9	(349)	27	(322)
<b>Profit for the year</b>		<u>1,435</u>	<u>(172)</u>	<u>1,263</u>



## Notes (continued)

### 3 Accounting estimates and judgements

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

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are readily apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant.

In the process of applying the Company's accounting policies, which are described in note 1 above, management has made no critical accounting judgements that are considered to have a significant effect on the amounts recognised in the financial statements.

#### Key sources of estimation uncertainty

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.

#### Measurement and impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which the goodwill has been allocated. The value in use calculation involves an estimation of the future cash flows of CGUs and also the selection of appropriate discount rates to use in order to calculate present values. The carrying value of goodwill is £1,213,000 (2016: £1,213,000) at the balance sheet date; see note 10. A sensitivity analysis has been performed and management have concluded that no reasonably foreseeable change in the key assumptions would result in an impairment of the goodwill of any of the Company's CGUs.

### 4 Turnover

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

### 5 Expenses and auditor's remuneration

*Included in profit are the following:*

	2017 £000	2016 £000
Gain on disposal of fixed assets	7	-

*Auditor's remuneration:*

	2017 £000	2016 £000
Audit of these financial statements	20	10

## Notes (continued)

### 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	
	2017	2016
Operations	122	114
Administration	71	77
	<u>193</u>	<u>191</u>

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£000	£000
Wages and salaries	7,024	6,925
Share based payments (See note 15)	13	37
Social security costs	781	734
Termination and redundancy payments	112	-
Contributions to pension schemes	218	224
	<u>8,148</u>	<u>7,920</u>

### 7 Directors' remuneration

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

Director	Remunerated by	Remuneration disclosed by
M G Bishop	Mitie Property Services (UK) Limited	Mitie Property Services (UK) Limited
C M Boath	Mitie Property Services (UK) Limited	Mitie Property Services (UK) Limited
J I Clarke	Mitie Technical Facilities Management Limited	Mitie Technical Facilities Management Limited
D Gibson	Mitie Group plc	Mitie Technical Facilities Management Limited
P F Mosley	Mitie Technical Facilities Management Limited	Mitie Technical Facilities Management Limited
J Ridley	Mitie Property Management Limited	Mitie Property Management Limited
W Robson	Mitie Group plc	Mitie Property Services (UK) Limited
J S Sheridan	Mitie Facilities Services Limited	Mitie Facilities Services Limited

## Notes (continued)

### 8 Other interest receivable and similar income

	2017 £000	2016 £000
Interest receivable and similar from Group undertakings	78	106
Total interest receivable and similar income	<u>78</u>	<u>106</u>

### 9 Taxation

	2017 £000	Restated 2016 £000
<i>Analysis of charge in the year</i>		
UK corporation tax at 20% (2016: 20%)		
Current tax on income for the year	159	333
Adjustments in respect of prior periods	(16)	(21)
Total current tax	<u>143</u>	<u>312</u>
<i>Deferred tax (see note 14)</i>		
Origination and reversal of temporary timing differences	-	11
Reduction in statutory tax rate	1	3
Adjustments in respect of prior periods	6	(4)
Total deferred tax	<u>7</u>	<u>10</u>
Tax on profit on ordinary activities	<u>150</u>	<u>322</u>
<i>Tax recognised directly in equity</i>		
	2017 £000	2016 £000
Current tax recognised directly in equity	-	(6)
Deferred tax recognised directly in equity	-	6
	<u>-</u>	<u>0</u>

## Notes (continued)

### 9 Taxation (continued)

	2017 £000	Restated 2016 £000
<i>Reconciliation of effective tax rate</i>		
Profit for the year	575	1,263
Total tax expense	150	322
Profit excluding taxation	725	1,585
Tax using the UK corporation tax rate of 20% (2016: 20%)	145	329
Reduction in statutory tax rate on deferred tax balances	1	4
Expenses not deductible for tax purposes	8	3
Relief in respect of employee share options	6	11
Adjustments in respect of prior periods	(10)	(25)
Total tax expense	150	322

The main rate of corporation tax reduced to 19% on 1 April 2017 and will remain remain at this level until a further reduction to 17% from 1 April 2020. These rates have been used to calculate the deferred tax balance as they were substantively enacted at the balance sheet date.

### 10 Goodwill

	£000
<b>Cost</b>	
Balance at 1 April 2016	1,724
Balance at 31 March 2017	1,724
<b>Amortisation and impairment</b>	
Balance at 1 April 2016	511
Balance at 31 March 2017	511
<b>Net book value</b>	
At 1 April 2016	1,213
At 31 March 2017	1,213

**Notes** (continued)

**11 Tangible fixed assets**

	Plant & vehicles £000
<b>Cost</b>	
Balance at 1 April 2016	456
Additions	5
	<hr/>
Balance at 31 March 2017	461
	<hr/>
<b>Depreciation and impairment</b>	
Balance at 1 April 2016	432
Depreciation charge for the year	13
	<hr/>
Balance at 31 March 2017	445
	<hr/>
<b>Net book value</b>	
At 1 April 2016	24
	<hr/>
At 31 March 2017	16
	<hr/>

**12 Debtors**

	2017 £000	Restated 2016 £000
Trade debtors	4,870	5,176
Amounts owed by Group undertakings	468	773
Other debtors	6	20
Deferred tax assets (see note 14)	20	27
Corporation tax	-	13
Interest receivable	29	15
Prepayments	-	219
Accrued income	1,151	2,172
	<hr/>	<hr/>
Total	6,544	8,415
	<hr/>	<hr/>
Due within one year	6,524	8,388
Due after more than one year	20	27
	<hr/>	<hr/>

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

Amounts due from Group undertakings are repayable on demand.

At 31 March 2017 trade debtors include retentions of £482,218 (2016: £508,221) relating to construction contracts in progress.

## Notes (continued)

### 13 Creditors: amounts falling due within one year

	2017 £000	Restated 2016 £000
Trade creditors	4,627	4,263
Amounts owed to Group undertakings	1,832	1,732
Taxation and social security	561	343
Corporation tax	30	59
Other creditors	170	28
Accruals and deferred income	1,416	1,004
	<u>8,636</u>	<u>7,429</u>

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

Amounts due to Group undertakings are repayable on demand bearing no interest.

### 14 Deferred tax assets and liabilities

#### Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Assets 2017 £000	2016 £000	Liabilities 2017 £000	2016 £000	Net 2017 £000	2016 £000
Tangible fixed assets	15	18	-	-	15	18
Share-based payments	2	6	-	-	2	6
Other	3	3	-	-	3	3
	<u>20</u>	<u>27</u>	<u>-</u>	<u>-</u>	<u>20</u>	<u>27</u>
Net deferred tax assets	<u>20</u>	<u>27</u>	<u>-</u>	<u>-</u>	<u>20</u>	<u>27</u>

## Notes (continued)

### 14 Deferred tax assets and liabilities (continued)

#### Movement in deferred tax during the year

	1 April 2016 £000	Recognised in income £000	31 March 2017 £000
Tangible fixed assets	18	(3)	15
Share-based payments	6	(4)	2
Other	3	-	3
	<u>27</u>	<u>(7)</u>	<u>20</u>

#### Movement in deferred tax during the prior year

	1 April 2015 £000	Recognised in income £000	Recognised in equity £000	31 March 2016 £000
Tangible fixed assets	14	4	-	18
Share-based payments	22	(10)	(6)	6
Other	7	(4)	-	3
	<u>43</u>	<u>(10)</u>	<u>(6)</u>	<u>27</u>

The UK Government announced reductions in the UK corporation tax rate from 20% to 19% from 1 April 2017 and from 19% to 17% from 1 April 2020, which have 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)

### 15 Share based payments

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

#### Discretionary schemes

##### *Mitie Group plc long term incentive plan*

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

##### *Mitie Group plc executive share option scheme*

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

##### *Conditional share plan*

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

#### Non-discretionary schemes

##### *Mitie Group plc SAYE scheme*

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

##### *Share incentive plan*

Employees are invited to invest in Partnership shares which are 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.

	2017	2016
Weighted average share price at date of exercise	237p	307p
Options outstanding prices	201p to 319p	201p to 319p
Weighted average remaining contractual life	3.3 years	4.0 years

The options outstanding at 31 March 2017 had exercise prices ranging from 201p to 319p (2016: 201.00p to 319.00p). During the year, options were granted in May, July, November, December and January. In 2016, options were granted in May, July and August 2015.



## Notes (continued)

### 16 Capital and reserves

Share capital	At start of year	At end of year	2017 £000	2016 £000
<b>Ordinary Shares</b>				
Ordinary shares at £1 each	14,953	14,953	15	15
	<u>14,953</u>	<u>14,953</u>	<u>15</u>	<u>15</u>

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

#### *Share premium account*

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

#### *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.

#### *Dividend*

The following dividends were recognised during the year:

	2017 £000	2016 £000
£73.81 (2016: £106.68) per qualifying ordinary share	1,105	1,595
	<u>1,105</u>	<u>1,595</u>

### 17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017 £000	2016 £000
Less than one year	111	177
Between one and five years	323	501
More than five years	21	41
	<u>455</u>	<u>719</u>

The Company has annual commitments under non-cancellable operating leases for property and vehicles as detailed above.

During the year, £111,000 was recognised as an expense in the profit and loss account in respect of operating leases (2016: £177,000).

## Notes (continued)

### 18 Commitments

#### *Commitments on behalf of Group undertakings*

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

	2017 £000	2016 £000
Overall commitment	<u>309,315</u>	<u>281,823</u>

#### *Performance bonds*

The Company has outstanding performance bonds as follows:

	2017 £000	2016 £000
Performance bonds	<u>205</u>	<u>205</u>

### 19 Related parties

#### *Related parties with which the Company has transacted*

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

	Sales to 2017 £000	2016 £000	Purchases from 2017 £000	2016 £000
Subsidiaries of Mitie Group	-	2,416	-	303
	-	2,416	-	303

## **Notes** *(continued)*

### **19 Related parties** *(continued)*

The Company is a participant in the Mitie Group plc Pension Scheme, a defined benefit scheme; the contributions payable under the scheme are apportioned to the Company on the basis of the percentage of pensionable payroll determined, by the scheme actuaries, for the scheme as a whole. The contributions payable to the scheme were £36,000 (2016: £56,000); £3,000 of this amount was payable to the scheme at 31 March 2017 (2016: £3,000). Full details of the scheme are set out in the Annual Report and Accounts of Mitie Group plc.

### **20 Ultimate parent company and parent company of larger group**

The Company is a subsidiary undertaking of Mitie Group plc which is the immediate parent company incorporated in Scotland. The ultimate controlling party is Mitie Group plc, a company incorporated in Scotland with its registered office at 1 Harlequin Office Park, Fieldfare, Emersons Green, Bristol, South Gloucestershire BS16 7FN. 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 the registered office or from [www.mitie.com](http://www.mitie.com).