

Mitie Business Services Limited

Annual Report and Financial Statements

Registered number 03787709

31 March 2017



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Company information

Directors

L D Barnet
J H J Gilding
J S Sheridan

Secretary

Mitie Company Secretarial Services Limited

Registered office

1 Harlequin Office Park
Fieldfare
Emersons Green
Bristol
England
BS16 7FN

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Strategic report

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

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

Review of the business

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

The Company acquired the trade and net assets of Mitie Work.Wise Limited, a fellow Mitie Group subsidiary on 31 March 2017.

As shown in the Company's profit and loss account on page 9, the Company's revenue was £30,438,000 (2016: £32,388,000) and the profit after tax was £720,000 (2016: £1,023,000).

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 2016 and January 2017 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.

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.

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.

Strategic report (continued)

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.

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 in line with market trends. The growth in our digital mail and hybrid services show how important continued focus and investment in digital transformation is.

The current market landscape continues to see a transition towards technology and away from purely paper based services. Automation, robotics and bots are starting to become common conversation pieces in client meetings.

Clients are also continuing to look at outsourcing non-core document management services that are traditionally in house.

Cost saving and risk mitigation remain key requirements.

Overall the market place feels buoyant with a good level of opportunity for innovation 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:


J H J Gilding
Director

26 July 2017

Directors' report

The Directors present the Annual Report and audited Financial Statements of Mitie Business Services Limited ('the Company') for the year ended 31 March 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 were:

Director	Date of resignation
L D Barnet	
R I Cattell	13/02/2017
M A Freeman	19/04/2017
J H J Gilding	
J S Sheridan	

Dividends

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

	2017	2016
	£	£
Deferred shares	-	1.385
A Ordinary	7.448	1.388
B Ordinary	7.448	1.385

Directors' report *(continued)*

Employees

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

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

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

Environment

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

Political contributions

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

Disclosure of information to auditor

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

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

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 3.

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.

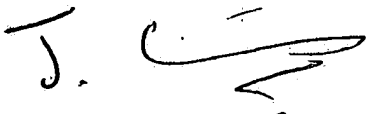
Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure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



J H J Gilding
Director

26 July 2017

1 Harlequin Office Park
Fieldfare
Emersons Green
Bristol
England
BS16 7FN

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

We have audited the financial statements of Mitie Business Services Limited for the year ended 31 March 2017 which comprise the Profit and loss account, the Balance sheet, the Statement of changes in equity and the related notes 1 to 26. 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 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;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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 Business Services 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

26 July 2017

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

London
United Kingdom

Profit and loss account

	<i>Note</i>	2017 Total £000	Restated* 2016 Total £000
Turnover	4	30,438	32,388
Cost of sales		(26,619)	(27,891)
Gross profit		3,819	4,497
Administrative expenses		(2,960)	(3,249)
Operating profit	5	859	1,248
Other interest receivable and similar income	8	284	253
Interest payable and similar expenses	9	(171)	(143)
Profit on ordinary activities before taxation		972	1,358
Tax on profit on ordinary activities	10	(252)	(335)
Profit for the financial year		720	1,023

*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.

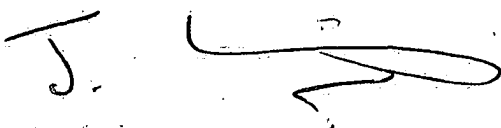
There were no items of other comprehensive income recognised during the year. Accordingly, no statement of Other comprehensive income has been prepared.

Balance sheet

	Note	2017 £000	Restated* 2016 £000
Fixed assets			
<i>Intangible assets</i>			
Goodwill	11	401	401
Other intangibles	12	3	321
Tangible assets	13	1,939	2,326
		<u>2,343</u>	<u>3,048</u>
Current assets			
Stocks	14	50	-
Debtors (including £870,000 due after more than one year (2016: £318,000))	15	5,279	5,474
Cash at bank and in hand		5,554	7,162
		<u>10,883</u>	<u>12,636</u>
Creditors: amounts falling due within one year	16	(8,068)	(7,433)
Net current assets		<u>2,815</u>	<u>5,203</u>
Total assets less current liabilities		<u>5,158</u>	<u>8,251</u>
Creditors: amounts falling due after more than one year	17	(819)	(922)
Provisions	20	(27)	(26)
Provisions for liabilities		<u>(27)</u>	<u>(26)</u>
Net assets		<u>4,312</u>	<u>7,303</u>
Capital and reserves			
Called up share capital	22	325	325
Share premium account	22	185	185
Profit and loss account	22	3,802	6,793
Shareholders' funds		<u>4,312</u>	<u>7,303</u>

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

These financial statements of Mitie Business Services Limited, company number 03787709, were approved by the board of Directors on [No Value] and were signed on its behalf by:



J H J Gilding
Director

26 July 2017

Statement of changes in equity

			Restated*	Restated*
	Called up Share capital £000	Share Premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2015	325	185	6,703	7,213
Effect of prior year adjustment	-	-	164	164
Restated balance at 1 April 2015	325	185	6,867	7,377
Total comprehensive income for the year				
Profit	-	-	1,023	1,023
Total comprehensive income for the year	-	-	1,023	1,023
Transactions with owners, recorded directly in equity				
Equity-settled share based payment transactions	-	-	38	38
Tax on share based payments	-	-	1	1
Dividends	-	-	(1,136)	(1,136)
Total contributions by and distributions to owners	-	-	(1,097)	(1,097)
Balance at 31 March 2016	325	185	6,793	7,303

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

Statement of changes in equity *(continued)*

	Called up share capital £000	Share Premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2016 (restated)	325	185	6,793	7,303
Total comprehensive income for the year				
Profit	-	-	720	720
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>720</u>	<u>720</u>
Transactions with owners, recorded directly in equity				
Equity-settled share based payment transactions	-	-	13	13
Dividends	-	-	(3,724)	(3,724)
Total contributions by and distributions to owners	<u>-</u>	<u>-</u>	<u>(3,711)</u>	<u>(3,711)</u>
Balance at 31 March 2017	<u><u>325</u></u>	<u><u>185</u></u>	<u><u>3,802</u></u>	<u><u>4,312</u></u>

Notes

1 Accounting policies

Mitie Business Services 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 03787709. The Company's registered office is at 1 Harlequin Office Park, Fieldfare, Emersons Green, Bristol, England, 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.

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.

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

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

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

- IFRS 2 Share Based Payments in respect of Group settled share based payments;
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

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.

Foreign currency

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

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

Intra-group financial instruments

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

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets

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

- Plant and vehicles: 3 - 5 years

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

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

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

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

Intangible assets

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

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

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

Stocks

Stocks are stated at the lower of cost and net realisable value. Costs represent materials, direct labour and overheads incurred in bringing the inventories to their present condition and location. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and estimated selling costs. Provision is made for obsolete, slow moving or defective items where appropriate.

Notes *(continued)*

1 Accounting policies *(continued)*

Employee benefits

Retirement benefit costs

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

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

Share-based payment transactions

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

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

Provisions

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

Notes (continued)

1 Accounting policies (continued)

Turnover

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

All bid costs are expensed through the income statement 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)

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.

Leasing

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

Notes (continued)

1 Accounting policies (continued)

Taxation

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

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

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

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

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

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

Business Combinations

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Company.

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

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

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

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:

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 a new executive management team 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 prior year restatements relate to the following areas:

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:

- i) employee bonuses that were paid during the year ended 31 March 2016 and 31 March 2017 but related to the financial years ended 31 March 2015 and 31 March 2016 totalling £nil (2015: £232,000 and 2016: £(232,000)).
- ii) under-provision of insurance liabilities that were outstanding at 31 March 2015 (£24,000) and 31 March 2016 (£2,000).

The tax impacts of these adjustments on the profit and loss account were £44,000 charge in 2015 and £47,000 credit 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 and the notes that accompany the tables.

Notes (continued)

2 Explanation of prior year restatement (continued)

Reconciliation of equity

		31 March 2015			31 March 2016		
	Note	2015 as previously reported £000	Prior year adjustment £000	2015 restated £000	2016 as previously reported £000	Prior year adjustment £000	2016 restated £000
Fixed assets							
Goodwill	11	-	-	-	401	-	401
Intangible assets	12	52	-	52	321	-	321
Tangible fixed assets	13	2,675	-	2,675	2,326	-	2,326
		<u>2,727</u>	<u>-</u>	<u>2,727</u>	<u>3,048</u>	<u>-</u>	<u>3,048</u>
Current assets							
Trade debtors	15	1,715	-	1,715	389	-	389
Mobilisation costs	15	-	-	-	848	-	848
Amounts owed by Group undertakings	15	211	-	211	602	-	602
Other debtors	15	409	-	409	303	-	303
Deferred tax asset	15	345	-	345	423	-	423
Prepayments	15	57	-	57	71	-	71
Accrued income	15	3,501	-	3,501	2,838	-	2,838
Cash at bank and in hand		5,650	-	5,650	7,162	-	7,162
		<u>11,888</u>	<u>-</u>	<u>11,888</u>	<u>12,636</u>	<u>-</u>	<u>12,636</u>
Creditors: amounts due within one year	16						
Obligations under finance leases		(1,033)	-	(1,033)	(977)	-	(977)
Trade creditors		(1,952)	-	(1,952)	(2,340)	-	(2,340)
Amounts owed to Group undertakings		(332)	-	(332)	(399)	-	(399)
Taxation and social security		(1,189)	-	(1,189)	(1,092)	-	(1,092)
Other creditors		(33)	-	(33)	(72)	-	(72)
Accruals and deferred income		(1,463)	232	(1,231)	(2,296)	-	(2,296)
Corporation tax		(228)	(44)	(272)	(260)	3	(257)
		<u>(6,230)</u>	<u>188</u>	<u>(6,042)</u>	<u>(7,436)</u>	<u>3</u>	<u>(7,433)</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
Net current assets		5,658	188	5,846	5,200	3	5,203
Total assets less current liabilities		8,385	188	8,573	8,248	3	8,251
Creditors: amounts falling due after more than one year	17						
Obligations under finance leases		(1,172)	-	(1,172)	(922)	-	(922)
		(1,172)	-	(1,172)	(922)	-	(922)
Provisions for liabilities	20						
Other provisions		-	(24)	(24)	-	(26)	(26)
		-	(24)	(24)	-	(26)	(26)
Net assets		7,213	164	7,377	7,326	(23)	7,303
Capital and reserves	22						
Called up share capital		325	-	325	325	-	325
Share premium account		185	-	185	185	-	185
Profit and loss account		6,703	164	6,867	6,816	(23)	6,793
Shareholders' equity		7,213	164	7,377	7,326	(23)	7,303

Notes (continued)

2 Explanation of prior year restatement (continued)

Reconciliation of profit

		2016 as previously reported £000	2016 Prior year adjustment £000	2016 restated £000
	Note			
Turnover	4	32,388	-	32,388
Cost of sales		(27,891)	-	(27,891)
Gross profit		4,497	-	4,497
Administrative expenses		(3,015)	(234)	(3,249)
Operating profit		1,482	(234)	1,248
Other interest receivable and similar income	8	253	-	253
Interest payable and similar expenses	9	(143)	-	(143)
Profit on ordinary activities before taxation		1,592	(234)	1,358
Tax on profit on ordinary activities	10	(382)	47	(335)
Profit for the year		1,210	(187)	1,023

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 judgement, 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 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.

Measurement and impairment of goodwill and other intangible assets

The measurement of intangible assets other than goodwill on a business combination involves estimation of future cash flows and the selection of suitable discount rates. Determining whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the CGUs to which the goodwill has been allocated. The value in use calculation involves an estimation of the future cash flows of CGUs and also the selection of appropriate discount rates to use in order to calculate present values. The carrying value of goodwill and other intangible assets is £404,000 (2016: £722,000) at the balance sheet date see notes 11 and 12.

Notes (continued)

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
Loss on disposal of tangible fixed assets	3	89

Auditor's remuneration:

	2017 £000	2016 £000
Audit fees paid by Mitie Facilities Services Limited and not recharged	12	9

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

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	395	402
Administration	10	16
	405	418

Notes (continued)

6 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2017 £000	Restated 2016 £000
Wages and salaries	11,344	12,012
Share based payments (See note 21)	13	38
Social security costs	1,115	1,167
Termination and redundancy payments	149	193
Contributions to defined contribution plans	454	494
	<u>13,075</u>	<u>13,904</u>

7 Directors' remuneration

	2017 £000	2016 £000
Directors' emoluments	<u>149</u>	<u>216</u>

In respect of the highest paid Director:

	2017 £000	2016 £000
Emoluments and amounts receivable under long term incentive schemes	149	216
Accrued pension under defined benefit pension scheme	18	16

	Number of Directors	
	2017	2016
Retirement benefits are accruing to the following number of Directors under:		
Defined benefit schemes	<u>1</u>	<u>1</u>

Notes (continued)

7 Directors' remuneration (continued)

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.

L D Barnet and R I Cattell have no remuneration for qualifying services as a Director in the year.

Director	Remunerated and disclosed by
M A Freeman	Mitie Facilities Services Limited
J S Sheridan	Mitie Facilities Services Limited

8 Other interest receivable and similar income

	2017 £000	2016 £000
Amounts receivable from Group undertakings	284	253
Total interest receivable and similar income	<u>284</u>	<u>253</u>

9 Interest payable and similar expenses

	2017 £000	2016 £000
Interest payable and similar on bank loans and overdrafts	16	-
Interest payable on finance leases	155	143
Total other interest payable and similar expenses	<u>171</u>	<u>143</u>

Notes (continued)

10 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 period	481	445
Adjustments in respect of prior periods	(69)	(24)
Total current tax	412	421
<i>Deferred tax (see note 19)</i>		
Origination and reversal of temporary timing differences	(281)	(157)
Reduction in statutory tax rate	67	48
Adjustments in respect of prior periods	54	23
Total deferred tax	(160)	(86)
Tax on profit on ordinary activities	252	335
<i>Tax recognised directly in equity</i>		
Current tax recognised directly in equity	-	(7)
Deferred tax recognised directly in equity	-	8
Total tax recognised directly in equity	-	1
<i>Reconciliation of effective tax rate</i>		
Profit for the year	720	1,023
Total tax expense	252	335
Profit excluding taxation	972	1,358
Tax using the UK corporation tax rate of 20% (2016: 20%)	194	272
Reduction in statutory tax rate on deferred tax balances	67	48
Expenses not deductible for tax purposes	1	1
Relief in respect of employee share options	5	15
Adjustments in respect of prior periods	(15)	(1)
Total tax expense	252	335

The main rate of corporation tax was 20% until 1 April 2017 when it reduced to 19%, remaining 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.

Notes (continued)

11 Goodwill

	Total £000
Cost	
At 1 April 2016	401
At 31 March 2017	401
Amortisation and impairment	
At 1 April 2016	-
At 31 March 2017	-
Net book value	
At 1 April 2016	401
At 31 March 2017	401

12 Intangible assets

	Software £000
Cost	
At 1 April 2016	606
Acquisitions through business combinations	67
At 31 March 2017	673
Amortisation	
At 1 April 2016	285
Charge for the year	385
At 31 March 2017	670
Net book value	
At 31 March 2017	3
At 1 April 2016	321

Intangible assets are amortised over their estimated useful life of between 2 and 5 years.

Notes (continued)

13 Tangible fixed assets

	Plant & vehicles £000
Cost	
At 1 April 2016	7,398
Acquisitions through business combinations	408
Additions	240
Disposals	(7)
At 31 March 2017	8,039
Depreciation and impairment	
At 1 April 2016	5,072
Depreciation charge for the year	1,032
Disposals	(4)
At 31 March 2017	6,100
Net book value	
At 1 April 2016	2,326
At 31 March 2017	1,939

Leased plant and machinery

At 31 March 2017 the net carrying amount of leased plant and machinery was £2,317,000 (2016: £2,326,000).

14 Stocks

	2017 £000	2016 £000
Raw materials and consumables	50	-
	50	-

Notes (continued)

15 Debtors

	2017 £000	2016 £000
Trade debtors	1,062	389
Mobilisation costs	609	848
Amounts owed by Group undertakings	376	602
Other debtors	513	303
Deferred tax assets (see note 19)	593	423
Interest receivable	61	-
Prepayments	184	71
Accrued income	1,881	2,838
Total	5,279	5,474
Due within one year	4,409	5,156
Due after more than one year	870	318

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

16 Creditors: amounts falling due within one year

	2017 £000	Restated 2016 £000
Obligations under finance leases (see note 18)	789	977
Payments received on account	67	-
Trade creditors	2,299	2,340
Amounts owed to Group undertakings	937	399
Taxation and social security	1,096	1,092
Corporation tax	242	257
Other creditors	96	72
Accruals and deferred income	2,535	2,296
Interest payable	7	-
Total	8,068	7,433

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

Notes (continued)

17 Creditors: amounts falling due after more than one year

	2017 £000	2016 £000
Obligations under finance leases (see note 18)	819	922
	<u>819</u>	<u>922</u>

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

18 Interest-bearing loans and borrowings

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

	2017 £000	2016 £000
Creditors falling due more than one year		
Finance lease liabilities	819	922
	<u>819</u>	<u>922</u>
Creditors falling due within less than one year		
Finance lease liabilities	789	977
	<u>789</u>	<u>977</u>

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2017 £000	Interest 2017 £000	Principal 2017 £000	Minimum lease payments 2016 £000	Interest 2016 £000	Principal 2016 £000
Less than one year	856	(67)	789	816	(88)	728
Between one and five years	886	(67)	819	1,280	(109)	1,171
	<u>1,742</u>	<u>(134)</u>	<u>1,608</u>	<u>2,096</u>	<u>(197)</u>	<u>1,899</u>

Notes (continued)

19 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
	£000	£000	£000	£000	£000	£000
Tangible fixed assets	580	411	-	-	580	411
Share-based payments	2	5	-	-	2	5
Provisions	11	7	-	-	11	7
Net tax assets	<u>593</u>	<u>423</u>	<u>-</u>	<u>-</u>	<u>593</u>	<u>423</u>

Movement in deferred tax during the year

	1 April 2016	Recognised in income	Acquired in business combination	31 March 2017
	£000	£000	£000	£000
Total	<u>423</u>	<u>160</u>	<u>10</u>	<u>593</u>

Movement in deferred tax during the prior year

	1 April 2015	Recognised in income	Recognised in equity	31 March 2016
	£000	£000	£000	£000
Total	<u>345</u>	<u>86</u>	<u>(8)</u>	<u>423</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)*

20 Provisions

	Insurance excess provision £000	Total £000
Balance at 1 April 2016 restated	26	26
Provisions made during the year	1	1
Balance at 31 March 2017	27	27

The insurance reserve provides for the self-insured element of Fleet and Liability claims that will typically settle over three to five years. This includes a provision for claims that are expected but have not yet been reported.

21 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.

Notes (continued)

21 Share based payments (continued)

	2017	2016
Weighted average share price at date of exercise	247p	315p
Options outstanding prices	201p to 319p	191p to 319p
Weighted average remaining contractual life	4.1 years	4.3 years

The options outstanding at 31 March 2017 had exercise prices ranging from 201p to 319p (2016: 191p to 319p). During the year, options were granted in May, July, November, December and January. In 2016, options were granted in May, July and August 2015.

22 Capital and reserves

Share capital	2017	2016
	£000	£000
Ordinary Shares		
255,000 A Ordinary shares at £0.01 each	3	3
245,000 B Ordinary shares at £0.01 each	2	2
320,000 Deferred shares at £1 each	320	320
	<hr/>	<hr/>
	325	325
	<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.

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 period:

	2017	2016
	£000	£000
£7.448 (2016: £1.388) per qualifying A ordinary share	1,899	354
£7.448 (2016: £1.385) per qualifying B ordinary share	1,825	339
£nil (2016: £1.385) per qualifying Deferred share	-	443
	<hr/>	<hr/>
	3,724	1,136
	<hr/>	<hr/>

Notes (continued)

23 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>

24 Acquisitions of businesses

Acquisitions in the current period

On 31 March 2017, the Company acquired the business of Mitie Work Wise Limited. This was by way of purchase of the trade and net assets.

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

If the acquisition had occurred on 1 April 2016, turnover relating to the acquisition would have been £3.7m and net profit before tax relating to the acquisition would have been £0.1m. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 April 2016.

Effect of acquisition

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

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:	
Tangible fixed assets	408
Intangible assets	67
Stocks	50
Trade and other debtors	1,316
Interest-bearing loans and borrowings	(416)
Trade and other creditors	(886)
Deferred tax asset	10
Net identifiable assets and liabilities	<u>549</u>
Total consideration	<u>549</u>

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

Notes *(continued)*

24 Acquisitions of businesses *(continued)*

Acquisitions in the prior period

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

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

If the acquisition had occurred on 1 April 2015, turnover relating to the acquisition would have been £46,000 and net loss before tax would have been £141,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 April 2015.

These figures are based on unaudited financial information.

Effect of acquisition

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

	Recognised values on acquisition £000
Net identifiable assets and liabilities	—
Goodwill on acquisition	401
Total consideration	401

Notes (continued)

25 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 and fellow subsidiaries of Mitie Group plc	-	720	29	1,443
	-	720	29	1,443
	8	219	-	182
	8	219	-	182

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

The Company is a participant in the Mitie Group plc Pension Scheme, a defined benefit scheme; the contributions payable under the scheme are apportioned to the Company on the basis of the percentage of pensionable payroll determined, by the scheme actuaries, for the scheme as a whole. The contributions payable to the scheme were £10,000 (2016: £5,000); £1,000 of this amount was payable to the scheme at 31 March 2017 (2016: £1,000) Full details of the scheme are set out in the Annual Report and Accounts of Mitie Group plc.

26 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Mitie Facilities Services Limited which is the immediate parent company and is incorporated in England and Wales. The ultimate controlling party is Mitie Group plc, a company incorporated in Scotland with a registered office at 1 Harlequin Office Park, Fieldfare, Emersons Green, Bristol, England BS16 7FN. Mitie Group plc is the parent company of the largest and smallest groups into which the financial statements 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.