Mitie Treasury Management Limited

Annual Report and Financial Statements

Registered number 07351242

31 March 2017

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Company information

Directors

G Bonthron
D M Forbes

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 Treasury Management 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 to raise external debt finance for Mitie Group plc. There have not been any significant changes in the Company's principal activities in the year under review. The profit after tax for the Company has increased in the year to £7,795,000 (2016: £2,958,000). This is as a result of increased interest receivable from loans to Mitie Group companies.

In the year to 31 March 2017, Mitie Treasury Management Limited utilised Mitie Group plc's committed banking facility of £275m, which remains in place until July 2021.

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.

Financial risk management

The Company does not enter into 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.

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

The Company holds a number of cross currency interest rate swaps designated as fair value hedges. Fixed interest cash flows denominated in US$ from the US Private Placement market are exchanged for floating interest cash flows denominated in sterling, arising over the period to December 2017. All fair value hedges were assessed as being highly effective as at 31 March 2017.

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

Strategic report *(continued)*

Future developments
The Directors expect the general level of activity to remain consistent in the forthcoming year.

Post balance sheet events
Following the end of the year, the Group approached its lenders to seek their agreement to exempt asset write-downs of £39.7m from covenant calculations. These write-downs are judgemental in nature and will not result in cash outflows. Lender approval was received on 7 June 2017 and these write downs are included in the Group consolidated accounts. Due to the provisions of IAS1 and the timing of this approval being received after the year end, it has been necessary to classify the drawn amounts under the RCF and the US Private Placement notes (total £309.3m) as current rather than non-current liabilities. The final maturity dates of all facilities remain unchanged.

Approved by the Board and signed on its behalf by:

D M Forbes

24 July 2017

D M Forbes
Director

Directors' report

The Directors present the Annual Report and audited financial statements of Mitie Treasury Management 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 Company has a net current liability position given that it was necessary to classify the drawn amounts under the RCF and the US Private Placement notes (total £309.3m) as current rather than non-current liabilities. Following approval from the lenders these amounts will be reclassified as non-current.

The Directors, having assessed the responses of the Directors of the Company's ultimate parent Mitie Group plc to their enquiries and have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Group to continue as a going concern or its ability to continue with the current banking arrangements, see note 16.

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.

Further details of the Company's financial risk management are set out in the Strategic Report.

Directors

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

Director	Date of appointment	Date of resignation
N Beswick		19/08/2016
G Bonthron		
D M Forbes	19/08/2016	

Dividends

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

	2017	2016
	£	£
Ordinary	5,302	2,069

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.

Directors' report *(continued)*

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

DMForbes
24 July 2017
D M Forbes
Director

1 Harlequin Office Park
Fieldfare
Emersons Green
Bristol
BS16 7FN

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

We have audited the financial statements of Mitie Treasury Management Limited for the year ended 31 March 2017 which comprise the Profit and loss account, Other comprehensive income, 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;
- 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 Treasury Management Limited
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

John Charlton (Senior Statutory Auditor)
for and on behalf of Deloitte LLP,
Statutory Auditor
London
United Kingdom
27 July 2017

Profit and loss account

	Note	**2017** **£000**	2016 £000
Administrative expenses	*4*	**(181)**	(27)
Other operating income	*3*	**2,292**	2,224
Operating profit		**2,111**	2,197
Other interest receivable and similar income	*7*	**29,395**	17,848
Interest payable and similar expenses	*8*	**(22,285)**	(16,348)
Profit on ordinary activities before taxation		**9,221**	3,697
Tax on profit on ordinary activities	*9*	**(1,426)**	(739)
Profit for the financial year		**7,795**	2,958

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

Other comprehensive income

	2017 **£000**	2016 £000
Profit for the financial year	**7,795**	2,958
Other comprehensive (loss)/income		
Items that are or may be reclassified subsequently to profit or loss:		
Net change in fair value of cash flow hedges reclassified to profit or loss	**(4,689)**	2,332
	(4,689)	2,332
Total comprehensive income for the year	**3,106**	5,290

Balance sheet

	Note	2017 £000	2016 £000
Fixed assets			
Other financial assets - non current	10	-	14,372
		-	14,372
Current assets			
Debtors	11	506,249	355,702
Other financial assets - current	10	35,787	-
Cash at bank and in hand		73,117	85,483
		615,153	441,185
Creditors: amounts falling due within one year	12	(611,591)	(167,757)
Net current assets		3,562	273,428
Total assets less current liabilities		3,562	287,800
Creditors: amounts falling due after more than one year	13	-	(281,823)
Net assets		3,562	5,977
Capital and reserves			
Called up share capital	14	1	1
Hedging and translation reserve	14	(7,365)	(2,676)
Profit and loss account		10,926	8,652
Shareholders' funds		3,562	5,977

These financial statements of Mitie Treasury Management Limited, company number 07351242, were approved by the board of Directors on and were signed on its behalf by:

DMForbes
24 July 2017

D M Forbes
Director

Statement of changes in equity

	Called up Share capital £000	Hedging and translation reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2015	1	(5,008)	7,763	2,756
Total comprehensive income for the year				
Profit for the year	-	-	2,958	2,958
Other comprehensive income (see note 14)	-	2,332	-	2,332
Total comprehensive income for the year	-	2,332	2,958	5,290
Transactions with owners, recorded directly in equity				
Dividends	-	-	(2,069)	(2,069)
Total contributions by and distributions to owners	-	-	(2,069)	(2,069)
Balance at 31 March 2016	1	(2,676)	8,652	5,977

Statement of changes in equity *(continued)*

	Called up share capital £000	Hedging and translation reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2016	1	(2,676)	8,652	5,977
Total comprehensive income for the year				
Profit for the year	-	-	7,795	7,795
Other comprehensive income (see note 14)	-	(4,689)	-	(4,689)
Total comprehensive income for the year	-	(4,689)	7,795	3,106
Transactions with owners, recorded directly in equity				
Tax	-	-	(219)	(219)
Dividends	-	-	(5,302)	(5,302)
Total contributions by and distributions to owners	-	-	(5,521)	(5,521)
Balance at 31 March 2017	**1**	**(7,365)**	**10,926**	**3,562**

Notes

1 Accounting policies

Mitie Treasury Management 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 07351242. The 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.

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;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- 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:

- 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)*

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

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

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 uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit and loss account.

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

Financial liabilities comprise trade payables, financing liabilities, including bank and other borrowings, put options on non-controlling interests and deferred contingent consideration. These are measured at initial recognition at fair value and subsequently at amortised cost with the exception of derivative financial instruments which are measured at fair value, and deferred contingent consideration which is measured at the Directors' best estimate of the likely future obligation. Bank and other borrowings are stated at the amount of the net proceeds after deduction of transaction costs.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Notes *(continued)*

1 Accounting policies *(continued)*

Derivative financial instruments and hedging

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

The Company may designate certain hedging instruments including derivatives as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Fair value hedges

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

Cash flow hedges

Hedges are classified as cash flow hedges when they hedge the exposure to changes in cash flows that are attributable to a particular risk associated with either a recognised asset or liability or a forecast transaction. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in equity within the Group's translation and hedging reserve. The gain or loss relating to any ineffective portion is recognised immediately in profit or loss.

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)*

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.

2 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.

Derivative financial instruments
The principal area of estimation is the valuation of derivative financial instruments, whose fair values have been determined using market information and discounted cash flow analysis as discussed in note 15.

Key sources of estimation uncertainty

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

3 Other operating income

	2017	2016
	£000	£000
Treasury management fee receivable from Group undertakings	2,292	2,224
	2,292	2,224

Notes *(continued)*

4 Expenses and auditor's remuneration

Included in profit are the following:

Auditor's remuneration:

	2017 £000	2016 £000
Audit of these financial statements	6	6

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.

5 Staff numbers and costs

Mitie Treasury Management Limited had no employees in the year ended 31 March 2017 (2016: nil).

6 Directors' remuneration

	2017 £000	2016 £000
Director's emoluments	145	-
Amounts receivable under long term incentive schemes	7	-
Company contributions to money purchase pension plans	19	-

	Number of Directors 2017	2016
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	1	-
The number of Directors who exercised share options was	1	-
The number of Directors in respect of whose services shares were received or receivable under long term incentive schemes was	1	-

The following Directors are Directors or employees of other Mitie group companies. They had no remuneration for qualifying services as Directors for the Company during the year.

Director	Remunerated by
G Bonthron	Mitie Group plc
N Beswick	Mitie Group plc

Notes *(continued)*

7 Other interest receivable and similar income

	2017 £000	2016 £000
Bank interest	11,266	5,401
Interest on intercompany loans	16,088	11,958
Foreign exchange gains	2,041	489
Total interest receivable and similar income	29,395	17,848

8 Interest payable and similar expenses

	2017 £000	2016 £000
Private placement interest and fees	9,727	9,759
Bank interest and fees	10,415	5,398
Gain arising on derivatives in a designed fair value hedge	(4,969)	(832)
Loss arising on adjustment for the hedge item in a designated fair value hedge	5,107	893
Foreign exchange losses	2,005	1,130
Total other interest payable and similar expenses	22,285	16,348

Notes *(continued)*

9 Taxation

Analysis of charge in the year	2017 £000	2016 £000
UK corporation tax at *20%* (2016: 20%)		
Current tax on income for the year	1,423	739
Adjustments in respect of prior periods	3	-
Tax on profit on ordinary activities	1,426	739

Reconciliation of effective tax rate	2017 £000	2016 £000
Profit for the year	7,795	2,958
Total tax expense	1,426	739
Profit excluding taxation	9,221	3,697
Tax using the UK corporation tax rate of 20% (2016: 20%)	1,844	739
Expenses not deductible for tax purposes	(421)	-
Adjustments in respect of prior periods	3	-
Total tax expense	1,426	739

The main rate of corporation tax reduced to 19% on 1 April 2017 and will 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 Other financial assets

	2017 £000	2016 £000
Derivative financial assets (see note 15) - non current	-	14,372
Derivative financial assets (see note 15) - current	35,787	-
	35,787	14,372

Notes *(continued)*

11 Debtors

	2017 £000	2016 £000
Trade debtors	35	-
Amounts owed by Group undertakings	506,214	355,631
Other debtors	-	66
Prepayments	-	5
Total	506,249	355,702

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

Included within amounts owed from Group undertakings above, is £499,906,000 (2016: £355,631,000) relating to loans bearing interest at between 1.81% and 7.20% per annum (2016: between 2.01% and 7.20% per annum).

Amounts owed by Group undertakings are repayable on demand.

12 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Bank loans and overdrafts	231,415	79,701
Corporation tax	1,164	518
Amounts owed to Group undertakings	84,883	84,434
Taxation and social security	6	1
Accruals and deferred income	142	3,103
Private placement notes	293,981	-
	611,591	167,757

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

Amounts owed to Group undertakings are repayable on demand.

Notes *(continued)*

12 Creditors: amounts falling due within one year *(continued)*

Private placement notes

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

Tranche	Maturity date	Amount	Interest terms	Swap interest
7 year	16 December 2017	US$20.0m	US$ fixed at 3.875%	£ fixed at 3.875%
7 year	16 December 2017	US$28.0m	US$ fixed at 3.89%	£ fixed at 3.89%
7 year	16 December 2017	US$48.0m	US$ fixed at 3.39%	£ LIBOR + 1.26% to 1.27%
9 year	16 December 2019	£40.0m	£ fixed at 4.38%	n/a
10 year	16 December 2022	US$76.0m	US$ fixed at 3.85%	£ fixed at 4.05%
10 year	16 December 2022	US$77.0m	US$ fixed at 3.85%	£ fixed at 4.02%
10 year	16 December 2022	£25.0m	£ fixed at 3.87%	n/a
12 year	16 December 2024	£30.0m	£ fixed at 4.04%	n/a

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

	2017	**2016**
	%	**%**
Overdraft	**2.0**	2.1
Bank loans	**1.4**	1.3
Private placement notes	**3.8**	3.8

13 *Creditors: amounts falling due after more than one year*

	2017	*2016*
	£000	£000
RCF loans	-	13,606
Private placement notes (see note 16)	-	268,217
	-	281,823

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

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

Notes *(continued)*

14 Capital and reserves

Share capital

	2017 £000	2016 £000
Ordinary Shares		
Ordinary shares at £1 each	1	1
	1	1

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

Profit and loss account

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

Dividend

The following dividends were recognised during the year:

	2017 £000	2016 £000
£5,302 (2016: £2,069) per qualifying ordinary share	5,302	2,069
	5,302	2,069

Hedging and translation reserve

The hedging and translation reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Other comprehensive loss

	Hedging and translation reserve £000	Total other comprehensive income £000
Net change in fair value of cash flow hedges reclassified to profit or loss	(4,689)	(4,689)
Total other comprehensive loss 31 March 2017	(4,689)	(4,689)

Other comprehensive (loss)/income - comparative

	Hedging and translation reserve £000	Total other comprehensive income £000
Net change in fair value of cash flow hedges reclassified to profit or loss	2,332	2,332
Total other comprehensive income 31 March 2016	2,332	2,332

15 Derivative financial instruments

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

	Assets 2017 £000	Assets 2016 £000
Cross currency interest rate swaps designated as cash flow hedges	27,035	10,342
Cross currency interest rate swaps designated as fair value hedges	8,752	4,030
Derivative financial instruments hedging private placement notes	35,787	14,372

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

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

Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from other observable inputs for the asset or liability; and

Level 3 fair value measurements are those derived from valuation techniques using inputs that are not based on observable market data.

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

16 Financial risk management

Risk management objectives
The Company's treasury function monitors and manages the financial risks relating to the operations of the Company.

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

Interest rate risk
The Company's activities expose it to the financial risks of interest rates. The Company's treasury function reviews its risk management strategy on a regular basis and will appropriately enter into derivative financial instruments in order to manage interest rate risk. Having issued US$249.0m and £95.0m of notes in the US PP fixed rate market, the Company has swapped US$48.0m into floating rate debt. Details of derivative financial instruments are given in Derivative financial instruments in note 15 above.

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

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Company's profit after tax for the year ended 31 March 2017 and reserves would increase/decrease by £0.20m (2016: £0.40m).

Notes *(continued)*

16 Financial risk management *(continued)*

Foreign currency risk

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

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

At 31 March 2017 £17.1m (2016: £16.0m) of loans were held denominated in foreign currency.

Liquidity risk

The Company participates in the Group's cash forecasting process to measure its liquidity risk using a cash flow projection model which considers the maturity of its assets and liabilities and the projected cash flows from operations.

The tables below summarise the maturity profile (including both un-discounted interest and principal cash flows) of the Company's financial assets and liabilities.

	Within one year	**In the second to fifth years**	**After five years**	**Total**
	£000	**£000**	**£000**	**£000**
Financial liabilities at 31 March 2017				
Bank loans and overdrafts	231,415	-	-	231,415
Private placement notes	293,980	-	-	293,980
Financial liabilities	525,395	-	-	525,395

	Within one year	In the second to fifth years	After five years	Total
	£000	£000	£000	£000
Financial liabilities at 31 March 2016				
Private placement notes	-	107,358	160,859	268,217
Other	-	13,606	-	13,606
Financial liabilities	-	120,964	160,859	281,823

Notes *(continued)*

16 Financial risk management *(continued)*

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

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

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

Hedging activities

Cash flow hedges

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

Fair value hedges

The Company holds a number of cross currency interest rate swaps designated as fair value hedges. Fixed interest cash flow denominated in US$ from the US Private Placement market are exchanged for floating interest cash flows denominated in sterling. All fair value hedges were assessed as being highly effective as at 31 March 2017.

17 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	2016
	£000	£000
Overall commitment	**309,315**	281,823

Notes *(continued)*

18 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:

	Receivables outstanding	Restated	Creditors outstanding	Restated
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Subsidiaries and fellow subsidiaries of Mitie Group plc	**13,489**	97,792	**517**	592
	13,489	97,792	**517**	592

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.

19 *Post balance sheet events*

Following the end of the year, the Group approached its lenders to seek their agreement to exempt asset write-downs of £39.7m from covenant calculations. These write-downs are judgemental in nature and will not result in cash outflows. Lender approval was received and these write downs are included in the Group consolidated financial statements. Due to the provisions of IAS1 and the timing of this approval being received after the year end, it has been necessary to classify the drawn amounts under the RCF and the US Private Placement notes (total £309.3m) as current rather than non-current liabilities.

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 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.