Morrison Facilities Services Limited

Financial statements

For the year ended 31 December 2013

Company No. SC120550

Company information

Company registration number	SC120550
Registered office	Morrison House Ellismuir Way Tannochside Park Uddingston Glasgow G71 5PW
Directors	D J Miles A C M Smith
Secretary	B R Westran
Bankers	Barclays Bank PLC Corporate Banking 4th Floor Bridgewater House Counterslip Finzels Reach Bristol BS1 6BX
Solicitors	BPE St James' House St James' Square Cheltenham Gloucestershire GL50 3PR
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors Hartwell House 55 – 61 Victoria Street Bristol BS1 6FT

Contents

Strategic Report

Review of the year

The Company reported turnover of £169.9m (9 months to 31 December 2012: £142.1m), reflecting a decrease of 10.3% on an annualised basis. This decrease is primarily due to the novation of contracts with four customers to a fellow subsidiary following the acquisition of the Company by Mears in November 2012.

Whilst the Company delivered an operating loss of £8.7m (2012: £26.5m), the Directors are pleased with progress following the acquisition by Mears. The migration of all Morrison contracts across to the Mears IT platform is now complete. All Social Housing contracts are run from the new contract management system, which will inevitably drive better service delivery and more robust financial control. The strong cash performance during the period, and the reduction in trade debtors, was driven in part by the better visibility provided as to the financial position of the contracts following these system migrations. The key focus is now at an individual contract level to maintain the improved service delivery whilst continuing to resolve the remaining financial challenges.

Outlook

The Directors believe the Company has a profitable future going forward. Some restructuring of the management of individual contracts has taken place during the year and will continue in 2014 as Mears continues to integrate Morrison within its main business and seeks to run individual contracts to established Mears' productivity levels.

Safety, health and environment (SHE)

Providing our employees with a safe working environment is paramount. In the year, we have reduced our accident frequency rates by 10% through increased awareness training and site inspections. 2013 not only proved to be a safer year than 2012 but we also trained more operatives and managers. In 2013 we introduced new initiatives aimed at our main health and safety risks within the business, which not only reduced the accidents and incidents but also raised the profile across the Group. Our accident rates continue to reduce year-on-year.

In 2013 through the development of in-house courses, not only are we bringing more specific courses to our workforce, but are also substantially reducing our overall training costs.

Through our partnership with Network Waste, we have improved our recycling rates to over 90%.

Training and people development

Our daily news snippet is emailed to everyone with a company e-mail address and we have made significant improvements to the intranet, which can now be accessed by all staff logging in from home or public computers. The impact of this work, which also included numerous face to face briefings and workshops, has significantly improved how our employees see our business.

The Company is able to take advantage of four training centres run by the Group in Welwyn, Peterborough, Rotherham and Birmingham. These centres deliver training across a range of trade disciplines in a relaxed environment. All training is customised to meet the needs of the learners. A particular focus is on supporting employees to develop skills that complement their existing specialism with the aim of increasing first time fix, reducing follow-on appointments and increasing customer satisfaction. Training is also available for employees who are not tradespeople but would benefit from basic home maintenance knowledge. We also run community training programmes which provide taster sessions for local residents, work experience for young people and the unemployed, and short courses in home maintenance skills.

Strategic Report - continued

Financial risk management objectives and policies

The effective management of risks is a key feature to the continuing success of our Company. Our approach is to identify principal risks and robustly mitigate the impact of these risks through a Group-wide risk management process.

- ***Macro economy***
  Our primary market is subject to government legislation and is dependent on the political environment, local or national, including public sector, policy and funding. Any changes in policy or legislation that reduces expenditure during the life of contracts could have a detrimental effect on the Company's business. Having an awareness of, and being responsive to, market developments by, for example, developing managed insourcing and Joint Venture products to give choice to clients, is essential to mitigate these risks.

- ***Reputation***
  The ultimate success of Mears relies upon maintaining a positive reputation in the public and amongst all stakeholders. Negative actions, behaviour, service and results will damage the business reputation and will affect the future of our Company. This includes risk of negative publicity from actions of employees and suppliers. We are dependent on our strong management team and a skilled and motivated workforce, otherwise the delivery of business objectives will be jeopardised.

- ***Liquidity***
  There is a noticeable increase in client and market focus in the financial strength of our trading due to a number of main peer contractors going into administration. Various stakeholders require reassurance that the Company has strong liquidity risk management including a long term funding facility agreement and the generation of sufficient cash from trading.

  Risks arise from short term cash flow movements and renewal risk on maturity of facilities. The Company is part of a Group banking facility. Our bank funding facility was recently extended to service the Group's needs until 2018.

  Both short term and long term liquidity are monitored through the use of various tools including cashflow forecasts and proactive response to variances identified.

- ***Business retention and new business***
  A strong bid pipeline and order book are essential to the success of the business. Risk management planning is needed to ensure new tenders are won and existing contracts are retained. Successful re-tendering requires a combination of competitive pricing and client confidence in quality proposals based on evidence of historical delivery.

- ***Integrity, ethics, anti-bribery and corruption***
  There are inherent risks of bribery, fraud and corruption in some of the sectors we work in. It is important that we have an internal control framework and means of communication to be pro-active where any risks materialise.

This report was signed by order of the Board on 28 March 2014.

B R Westran
Company Secretary

Report of the Directors

The Directors of Morrison Facilities Services Limited present their report and the audited financial statements for the year ended 31 December 2013.

Principal activities
The Company principally delivers outsourced property repairs and maintenance, and capital investment services to Housing Associations and Local Authorities.

Results and dividends
The trading results for the year and the Company's financial position at the end of the year are shown in the attached financial statements and discussed in the strategic review. The Company made a loss for the year before tax of £8.9m (2012: £30.7m).

The Directors do not recommend the payment of a dividend (2012: £nil).

Directors
The Directors who served the Company during the year were as follows:

D J Miles

A C M Smith

Policy on the payment of creditors
It is the Company's policy to settle terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them.

Trade creditors at the year-end amounted to 51 days of average supplies for the year (2012: 41 days).

Disabled employees
Applications for employment by disabled employees are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities.

In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Company may continue.

It is the policy of the Company that training, career development and promotion opportunities should be available to all employees.

Employee involvement
The Company has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the Company.

This is achieved through consultations with employee representatives and a Company newsletter.

Going concern consideration
As at 31 December 2013, the Company has net liabilities of £21.7m (2012: £8.6m), Mears Group PLC, the parent company, has provided a letter of support to the Directors of Morrison Facilities Services Ltd. In addition, the inter-company loan with Mears allows the Company to meet its short and medium term payments. As at the date of approving these financial statements, the Directors consider that there is reasonable expectation that the Company has adequate resources to continue to trade for the foreseeable future. Therefore, the going concern basis has been adopted in preparing these financial statements.

Report of the Directors - continued

Statement of Directors' responsibilities

The Directors are responsible for preparing 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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 and the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Auditors

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006.

This report was signed by order of the Board on 28 March 2014.

B R Westran
Company Secretary

Report of the independent auditor to the member of Morrison Facilities Services Limited

We have audited the financial statements of Morrison Facilities Services Limited for the period ended 31 December 2013 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's member, 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 member those matters we are required to state to it 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 Company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors
As explained more fully in the statement of Directors' responsibilities set out on page 6, 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
A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

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 December 2013 and of the Company's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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.

Grant Thornton UK LLP

M Bishop
(Senior Statutory Auditor)

For and on behalf of Grant Thornton UK LLP
Chartered Accountants and Statutory Auditors
Oxford

28 March 2014

Profit and loss account

Note		Year ended 31 December 2013 Total £'000	Nine months ended 31 December 2012 Before Exceptional Items £'000	Exceptional Items £'000	Total £'000
2	**Turnover**	169,915	142,085	–	142,085
	Cost of sales	(140,064)	(143,971)	(1,781)	(145,752)
	Gross profit/(loss)	29,851	(1,886)	(1,781)	(3,667)
	Administrative expenses	(38,594)	(24,657)	(5,878)	(30,535)
3	**Operating loss**	**(8,743)**	**(26,543)**	**(7,659)**	**(34,202)**
	Income from shares in undertakings	–	2,000	–	2,000
4	Interest payable	(319)	(95)	–	(95)
4	Other finance income	126	1,575	–	1,575
	Loss on ordinary activities before taxation	**(8,936)**	**(23,063)**	**(7,659)**	**(30,722)**
5	Tax on loss on ordinary activities	(4,100)	8,504	1,779	10,283
17	**Loss for the financial period**	**(13,036)**	**(14,559)**	**(5,880)**	**(20,439)**

The activities in both accounting periods relate to continuing operations.

Statement of total recognised gains and losses

Note		Year ended 31 December 2013 £'000	Nine months ended 31 December 2012 £'000
	Loss for the financial period	(13,036)	(20,439)
19	Actuarial loss on pension scheme	(18)	(859)
14	Deferred tax relating to actuarial loss on pension scheme	(115)	198
	Total recognised loss for the period	**(13,169)**	**(21,100)**

The accompanying accounting policies and notes form part of these financial statements.

Balance sheet

Note		2013 £'000	2012 £'000
	Fixed assets		
7	Tangible fixed assets	1,802	2,875
8	Investment in subsidiary undertakings	1	1
		1,803	2,876
	Current assets		
9	Stock	1,896	671
10	Debtors	20,735	47,310
	Cash at bank and in hand	17,288	7,284
		39,919	55,265
11	Creditors: amounts falling due within one year	(35,402)	(60,789)
	Net current assets/(liabilities)	**4,517**	**(5,524)**
	Total assets less current liabilities	6,320	(2,648)
12	Creditors: amounts falling due after more than one year	(11,358)	–
13	Provisions for liabilities	(15,584)	(4,661)
	Net liabilities excluding net pension liability	**(20,622)**	**(7,309)**
19	Pension liability	(1,102)	(1,246)
	Net liabilities	**(21,724)**	**(8,555)**
	Capital and reserves		
16	Called up share capital	10,000	10,000
17	Profit and loss reserve	(31,724)	(18,555)
18	**Shareholder's deficit**	**(21,724)**	**(8,555)**

The financial statements were approved and authorised for issue by the Directors and are signed on their behalf on 28 March 2014.

A C M Smith
Director

Notes to the financial statements

1 Accounting policies

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006. A summary of the Company's principal accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the period.

a) Turnover

Turnover is the total amount receivable by the Company for goods supplied and services provided, excluding VAT and trade discounts, and is recognised as follows:

- Social housing – when the outcome of a job or contract can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of work at the balance sheet date. The stage of completion of the job or contract at the balance sheet date is assessed by comparing the value of work completed to date with the total value of work to be completed. The outcome of the transaction is deemed to be able to be estimated reliably when all the following conditions are satisfied:
  - the amount of revenue can be measured reliably;
  - it is probable that the economic benefits associated with the transaction will flow to the entity;
  - the stage of completion of the transaction at the balance sheet date can be measured reliably; and
  - the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

  Where a contract for work involves delivery of several different elements and is not fully delivered or performed by the year end, revenue is recognised based on the proportion of the value of the elements delivered to the value of the overall contract.

- Maintenance contracts – the Company has a number of contracts for planned maintenance and reactive maintenance. Planned maintenance revenue is recognised when the work is carried out; reactive maintenance revenue is recognised over the contract term period.

b) Tangible fixed assets and depreciation

Fixed assets are included at cost less accumulated depreciation. Freehold land is not depreciated. Depreciation of assets is calculated at rates expected to write off cost less the estimated residual value of the relevant assets over their estimated economic lives, which are principally as follows:

Leasehold Improvements	Over the lifetime of the lease
Fixtures, fittings and equipment	25% reducing balance

Assets in the course of construction are not depreciated until they are commissioned.

c) Leased assets

Rental costs arising under operating leases are expensed over the term of the lease.

Operating lease income is accounted for on a straight line basis with any rental increases recognised during the period to which they relate.

d) Investments

Investments held as fixed assets are stated at cost less any provision for impairment.

Notes to the financial statements - continued

e) **Stocks and work in progress**

Stocks are stated at cost less any provision necessary to recognise damage and obsolescence. Work in progress is valued at the lower of cost and net realisable value. Cost includes labour, materials, transport and attributable overheads. Net realisable value is the estimated proceeds from the sale of stock less all further costs to be incurred to complete and deliver the goods or services.

f) **Pension costs**

The Company operates various defined benefit and defined contribution pension schemes administered by trustees. The schemes are generally funded through contributions, determined by actuarial calculations. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company in a trustee administered fund. Pension scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset / liability, net of the related deferred tax, is presented separately on the face of the balance sheet.

The amounts charged to operating loss are current service costs, past service costs, settlements and curtailments. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. The interest cost and expected return on assets are shown net within other finance income/costs. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The cost of defined contribution schemes is charged to the profit and loss account in the period in which the contributions become payable. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

g) **Deferred taxation**

Deferred taxation is provided on timing differences arising from the different treatment for accounts and taxation purposes, of events and transactions recognised in the financial statements of the current and previous years. Deferred taxation is calculated at rates at which it is estimated that taxation will arise.

Deferred taxation is not provided in respect of timing differences arising from the sale or revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into and it is unlikely that any gain will be rolled over.

Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that there will be suitable taxable profits against which the deferred tax asset can be recovered in future periods.
Deferred taxation is not discounted.

h) **Pre-contract costs**

The Company's policy is to write off pre-contract costs as an expense in line with UITF 34: *Pre-contract costs*.

i) **Cash flow statement and related party disclosures**

The Company is a wholly owned subsidiary of Mears Group PLC (Mears) and its results are included in the consolidated financial statements of Mears which are publicly available. Consequently, under FRS 1: *Cash flow statements* and FRS 8: *Related party transactions* the Company is exempt from producing a cash flow statement and disclosing related party transactions respectively.

j) **Company accounts**

The company has opted under section 400 of the Companies Act 2006 to prepare Company only accounts. Morrison is a wholly owned subsidiary of Mears Group PLC, a UK listed Group. The results of Morrison Facilities Services Ltd and all subsidiaries are consolidated within the Group accounts of Mears Group PLC.

Notes to the financial statements - continued

2 Turnover

The turnover and profit before tax are attributable to the one principal activity of the Company. All turnover is derived from within the United Kingdom.

3 Operating loss

	Year ended 31 December 2013 £'000	Nine months ended 31 December 2012 £'000
Operating loss is stated after charging:		
Depreciation	1,227	1,502
Impairment	–	83
Operating lease rentals – Plant and machinery	729	17
Operating lease rentals – Other	3,684	3,345
Exceptional costs:		
- Onerous contract provisions	–	6,954
- Restructuring of staff	173	705
Total operating exceptional	–	7,659
Fees paid to the auditors:		
- for audit work	37	65
- for non-audit services	7	–

The audit fee of £37k (2012: £65k) was incurred by a parent Company and subsequently recharged to Morrison Facilities Services Ltd.

The Company incurred exceptional items relating to redundancies and restructuring costs (£173k (2012: £705k)), onerous contracts with clients (£nil (2012: £5,909k)) and rental properties (£nil (2012: £1,045k)).

4 Interest payable and other finance income

	Year ended 31 December 2013 £'000	Nine months ended 31 December 2012 £'000
Interest payable and similar charges		
Bank interest payable	(58)	(45)
Unwinding of discounting	(332)	–
Income receivable from Group companies	71	(50)
Total interest payable	**(319)**	**(95)**
Other finance income – interest on retirement benefits		
Net interest on pension fund obligations	126	1,575
	126	**1,575**

Notes to the financial statements - continued

5 Tax on loss on ordinary activities

	Year ended 31 December 2013 £'000	Nine months ended 31 December 2012 £'000
Analysis of (credit) / charge in the period		
Current tax		
UK corporation tax		
- current year	–	(360)
- adjustment in respect of prior years	76	–
Total UK tax	**76**	**(360)**
Deferred tax		
Charge for timing differences arising in period	3,228	(9,983)
Effective tax rate change	796	60
Total deferred tax	**4,024**	**(9,923)**
Tax on loss on ordinary activities	**4,100**	**(10,283)**

Factors affecting tax charge for the period (including exceptional items)

The effective tax rate for the period is higher (2012: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2013 of 23.25% (2012: 24%). The differences are explained below:

	£'000	£'000
Profit/(loss) on ordinary activities before taxation	**(8,936)**	**(30,722)**
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24%)	(2,078)	(7,527)
Effects of:		
Items not deductible for tax purposes	5	7
Capital allowances (in excess of)/less than depreciation for the year	(26)	142
Short-term timing differences	4,287	2,815
Tax losses brought forward and utilised	(2,188)	–
Tax losses carried forward	–	2,949
Group relief (not paid)	–	1,254
Adjustment in respect of prior year	76	–
Total current tax	**76**	**(360)**

Notes to the financial statements - continued

6 Employees and directors

	Year ended 31 December 2013 £'000	Nine months ended 31 December 2012 £'000
Staff costs during the period were:		
Wages and salaries	39,376	47,752
Social security costs	3,214	4,502
Pension costs (note 19)	2,372	3,562
	44,962	**55,816**

Average monthly number of full time equivalent persons including executive directors employed by the Company:

	2013 Number	2012 Number
Administrative staff	523	701
Operatives	978	1,386
	1,501	**2,087**

Directors	Year ended 31 December 2013 £'000	Nine months ended 31 December 2012 £'000
Aggregate emoluments	–	437
Company contributions to defined contribution pension schemes	–	33
	–	**470**

No directors (2012: no directors) are accruing benefits under a defined benefit pension scheme.

	Year ended 31 December 2013 £'000	Nine months ended 31 December 2012 £'000
Highest paid director		
Aggregate emoluments	–	239
Company contributions to defined contribution pension schemes	–	33
	–	272

No Director received any remuneration from the Company in 2013. Directors are remunerated through other Group companies.

Notes to the financial statements - continued

7 Tangible fixed assets

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 1 January 2013	1,059	11,739	12,798
Additions	28	199	227
Disposal	(383)	(8,009)	(8,392)
At 31 December 2013	**704**	**3,929**	**4,633**
Depreciation			
At 1 January 2013	653	9,270	9,923
Charge for the year	290	937	1,227
Disposal	(372)	(7,947)	(8,319)
At 31 December 2013	**571**	**2,260**	**2,831**
Net book value			
At 31 December 2013	**133**	**1,669**	**1,802**
At 31 December 2012	406	2,469	2,875

8 Investments in subsidiary undertakings

	2013 £'000	2012 £'000
At 31 December	1	1

Subsidiary undertaking	Country of Incorporation	Principal activity	Proportion of ordinary £1 shares held
Morrison Scotland (Services) Limited	Scotland	Maintenance and repair services	67%
Manchester Working Limited	England and Wales	Maintenance and repair services	80%
Morrison Scotland LLP	Scotland	Maintenance and repair services	67%

Manchester Working Limited has a year end of 31 March. Morrison Scotland (Services) Limited and Morrison Scotland LLP both have a year end of 31 December. The voting rights in respect of each subsidiary are in the same proportion as the ordinary shares held.

Notes to the financial statements - continued

9 Stock

	2013 £'000	2012 £'000
Raw materials and consumables	**1,896**	**671**

In the Directors' opinion, there is no material difference between the replacement cost of stock and its historical cost as stated above.

10 Debtors

	2013 £'000	2012 £'000
Amounts falling due within one year:		
Trade debtors	5,411	10,382
Amounts recoverable on contracts	7,462	13,459
Amounts owed by Group undertakings	–	10,844
Corporation tax recoverable	276	–
Prepayments and accrued income	256	729
Other debtors	203	609
	13,608	**36,023**
Amounts falling due after more than one year:		
Trade debtors	–	100
Deferred tax	7,127	11,187
	20,735	**47,310**

11 Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	19,014	18,005
Accruals and deferred income	10,557	26,176
Other taxation and social security	5,817	4,860
Payments in advance	14	275
Corporation tax	–	57
Amounts owed to Group undertakings	–	10,003
Other creditors	–	1,413
	35,402	**60,789**

Notes to the financial statements - continued

12 Creditors: amounts falling due after more than one year

	2013 £'000	2012 £'000
Amounts owed to Group undertakings	**11,358**	–

13 Provisions for liabilities

	£'000
At 1 January 2013	4,661
Utilisation of provision	(9,194)
Charge to profit and loss account	19,785
Unwinding of discounting	332
At 31 December 2013	**15,584**

The provision represents the Company's obligations in relation to onerous contracts with clients.

14 Deferred taxation

Deferred tax asset

At 31 December, the Company recognised the following deferred tax asset:

	Accelerated capital allowances £'000	Other timing differences £'000	Tax losses carried forward £'000	Total £'000
At 1 January 2013	699	3,355	7,133	11,187
Credit/(charge) to the profit and loss account	197	(784)	(3,473)	(4,060)
At 31 December 2013	**896**	**2,571**	**3,660**	**7,127**

Pension scheme deferred tax asset

The pension scheme liability has been disclosed net of the related deferred tax asset.

	Defined benefit pension scheme timing differences £'000
Deferred tax asset relating to the pension liability	
At 1 January 2013	372
Credit to the profit and loss account	36
Charge to the statement of total recognised gains and losses	(115)
At 31 December 2013	**293**

Notes to the financial statements - continued

15 Commitments under operating leases

At 31 December the Company had annual commitments under non-cancellable operating leases as set out below.

	2013		2012	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Annual charge falling due:				
In one year	–	23	174	27
Between two and five years	59	1,439	386	2,161
Over five years	209	–	318	–

16 Called up share capital

	2013 £'000	2012 £'000
Allotted, called up and fully paid		
10,000,000 ordinary shares of £1 each	**10,000**	**10,000**

17 Profit and loss reserve

	£'000
At 1 January 2013	(18,555)
Loss for the period	(13,036)
Actuarial loss on pension scheme (note 19)	(18)
Movement on deferred tax relating to net pension deficit	(115)
At 31 December 2013	**(31,724)**

18 Reconciliation of movements in shareholder's funds

	2013 £'000	2012 £'000
Loss for the period	(13,036)	(20,439)
Other recognised losses relating to the period	(133)	(661)
Net change in shareholder's deficit	(13,169)	(21,100)
Opening shareholder's deficit	(8,555)	12,545
Closing shareholder's deficit	**(21,724)**	**(8,555)**

Notes to the financial statements - continued

19 Pension commitments

The Company participates in a number of multi-employer defined benefit pension schemes for the benefit of certain employees within the Company. The assets of the schemes are administered by trustees in a fund independent from the assets of the Company. Costs and liabilities of the scheme are based on actuarial valuations. The actuarial valuations were reviewed on TUPE transfers and updated to 31 December 2013 by a qualified independent actuary using the projected unit method.

The Company participates in a multi-employer pension scheme arrangement where it is currently unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the Company has taken advantage of the exemption in FRS17 – Retirement benefits, and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The surplus in the total scheme as at 31 December 2013 was £11,637k (2012: £10,798k).

The Company contributes to 10 (2012: 10) defined benefit pensions schemes which all have admitted body status within the Local Government Pension Scheme. The Company will contribute for a finite period, until the termination of the particular contract. The Company is required in most cases to pay regular contributions as detailed in the scheme's schedule of contributions. In some cases, these contributions are capped and any excess can be recovered from the body from which the employees originally transferred. Where the Pension Scheme has a contractual right to recover the costs of making good any deficit in the scheme from the Company's client, the fair value of the asset has been recognised within the Company's share of scheme assets.

Whilst defined benefit pension scheme liabilities are recognised in full in accordance with FRS17 on the balance sheet, short term volatility and changes in valuation assumptions may cause the value of the liabilities to be materially different at the point at which they crystallise.

The Company expects to contribute £2,475k to its defined benefit pension plans in 2014.

The following disclosures are aggregated results of the defined benefit schemes

Summary of pension scheme	**2013 £'000**	**2012 £'000**
Total assets	175,687	156,169
Fair value of scheme liabilities	(169,146)	(150,679)
Surplus / (deficit) in the schemes	6,541	5,490
Impact of limit on recognition of surplus	(7,936)	(7,108)
Deficit recognised in the financial statements	(1,395)	(1,618)
Related deferred tax asset	293	372
Net pension deficit recognised in the financial statements	**(1,102)**	**(1,246)**

Notes to the financial statements - continued

19 Pension commitments (continued)

Assumptions

The liabilities of the schemes have been valued using the projected unit method and using the following assumptions:

	2013 % pa	2012 % pa
Discount rate	4.6	4.7
Inflation rate RPI / CPI	3.4/2.5	2.9/2.2
Increase to deferred benefits during deferment	3.4/2.5	2.9/2.2
Increases to inflation related pension in payment	3.4/2.5	2.9/2.2
General salary increases	3.4	2.8

	2013	2012
Longevity at age 65 for current pensioners		
- Men	21.6	21.0
- Women	24.1	23.4
Longevity at age 65 for future pensioners		
- Men	23.6	23.1
- Women	26.1	25.7

The liabilities for the Local Government Pension Schemes are adjusted to use mortality improvements consistent with those adopted by Morrison Facilities Services Limited.

The long-term expected rate of return of the pension scheme assets:

	2013 Fair value of scheme assets £'000	2012 Fair value of scheme assets £'000
Equities	116,997	101,026
Bonds	37,029	35,172
Property	8,174	9,131
Guarantees	300	2,730
Other	13,187	8,110
Total Assets	**175,687**	**156,169**

Notes to the financial statements - continued

19 Pension commitments (continued)

Analysis of amounts charged to the profit and loss account

	Year ended 31 December 2013 £'000	Nine months ended 31 December 2012 £'000
Current service cost	(2,879)	(2,267)
Past service cost	(45)	–
Charge to operating profit	**(2,924)**	**(2,267)**
Expected return on pension scheme assets	7,067	7,070
Impact of restriction of surplus	–	–
Interest charged on pension scheme liabilities	(6,941)	(5,495)
Amount credited to other finance income	**126**	**1,575**
Net charge on ordinary activities before taxation	**(2,798)**	**(692)**

Analysis of amounts recognised in the statement of total recognised gains and losses

	Year ended 31 December 2013 £'000	Nine months ended 31 December 2012 £'000
Difference between expected and actual returns on scheme assets	14,676	846
Changes in assumptions underlying the present value of the schemes' liabilities	(13,987)	4,338
Actuarial gains / (losses) in schemes	689	5,184
Bulk transfer to scheme	(53)	2,895
Adjustment to gains and losses in relation to recognition of (deficit)/surplus	(654)	(8,938)
Actuarial gains and losses recognised	**(18)**	**(859)**
Cumulative actuarial losses recognised	**(13,767)**	**(13,749)**

Reconciliation of fair value of scheme assets

	2013 £'000	2012 £'000
At 1 January / 1 April	156,169	41,110
Expected return on scheme assets	7,067	7,070
Employers' contributions	3,039	1,993
Members' contributions	1,077	851
Benefits paid	(3,624)	(2,725)
Acquisition/business combination	(3,406)	-
Bulk transfer	–	107,024
Indemnity asset	–	2,730
Actuarial gain/(loss)	15,365	(1,884)
At 31 December	**175,687**	**156,169**

Notes to the financial statements - continued

19 Pension commitments (continued)

Reconciliation of scheme liabilities

	2013 £'000	2012 £'000
At 1 January / 1 April	150,679	45,000
Current service costs	2,859	2,267
Past service cost	45	–
Members' contributions	1,077	851
Interest cost	6,941	5,495
Benefits paid	(3,604)	(2,725)
Acquisition/business combination	(2,838)	–
Bulk transfer	–	104,129
Actuarial loss/(gain)	13,987	(4,338)
At 31 December	**169,146**	**150,679**

History of schemes	31 December 2013 £'000	31 December 2012 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Fair value of scheme assets	175,687	156,169	41,110	85,670	77,540
Present value of scheme liabilities	(169,146)	(150,679)	(45,000)	(84,100)	(85,880)
Amount not recognised	(7,936)	(7,108)	1,830	(3,020)	3,510
Deficit in the scheme	(1,395)	(1,618)	(2,060)	(1,450)	(4,830)
Related deferred tax asset	293	372	494	377	1,352
Deficit recognised at 31 December / March	**(1,102)**	**(1,246)**	**(1,566)**	**(1,073)**	**(3,478)**
History of schemes					
Actual return on pension scheme assets less expected return	14,676	846	(2,850)	740	16,100
Experience gains and losses arising on scheme liabilities	5	–	–	3,090	40
Change in assumptions underlying the present value of the scheme liabilities	(13,992)	4,338	(8,950)	5,180	(15,430)
Movement on unrecognised asset	(654)	(8,938)	5,110	(6,530)	(2,190)
Bulk transfer of scheme	(53)	2,895	5,570	–	–
Amount recognised in the statement of total recognised gains and losses	**(18)**	**(859)**	**(1,120)**	**2,480**	**(1,480)**

20 Ultimate and immediate parent company

The Directors consider the Company's immediate parent undertaking is Mears Group PLC, a Company registered in England and Wales.

Mears Group PLC is the parent Company of the largest Group to consolidate the financial statements of the Company. The Directors regard Mears Group PLC as the ultimate controlling party. Copies of the accounts for Mears Group PLC can be obtained from the Company Secretary, 1390 Montpellier Court, Gloucester Business Park, Brockworth, Gloucester,GL3 4AH.