

**Company Registration Number:**

**06976230**

**MITIE CARE AND CUSTODY LIMITED**

**Report and Financial Statements**

**For the year ended 31 March 2014**

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**Officers and professional advisors**

**DIRECTORS**

Colin Dobell  
Paul Ferry  
Jeff Flanagan

**COMPANY SECRETARY**

Mitie Company Secretarial Services Limited

**REGISTERED OFFICE**

1 Harlequin Office Park  
Fieldfare  
Emersons Green  
Bristol  
BS16 7FN

**AUDITOR**

Deloitte LLP, Chartered Accountants and Statutory Auditor  
London, United Kingdom

**Strategic report**

The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

**Review of the business**

The Company provides outsourced custody services to HM Government, including the management of prisons and immigration removal centres.

As shown in the Company's profit and loss account, the profit after tax for the year is £330,000 (2013 loss of £667,000). The net liabilities decreased from £1,054,000 to £719,000 at 31 March 2014, due to the creation of a mobilisation asset in relation to the contract win of two detention centres at Heathrow Airport to provide facilities management, however this was offset by an increase in the bank overdraft due to the timing difference of project revenue cash received before the last financial year end.

**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 other significant risks.

**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 increase in the forthcoming year. This is as a result of a significant contract win with the UK Home Office for the management and maintenance of two Immigration Removal Centres that the Company will commence operating in September 2014. The directors expect the market for outsourced central government services to remain buoyant with a number of opportunities in our sector in the coming year. However, the pending UK General Election in May 2015 will create some market uncertainty immediately prior and post election, until the new government publishes its competition policy for our markets.

**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:



Colin Dobell  
Director  
31 July 2014

**Director's report**

The directors present the annual report and financial statements of Mitie Care and Custody Limited ("the Company") for the year ended 31 March 2014.

**Dividends**

No dividend was declared or paid in the year (2013: no dividend).

**Going Concern**

The Company has net liabilities and is, therefore, reliant on the support of its immediate and ultimate parent company Mitie Group plc in order to meet its liabilities as they fall due. The directors have considered the forecast results and associated cash flows for the foreseeable future, being the period not less than 12 months from the date of signing of these financial statements. The directors have considered the facilities available to the Company and believe that they can operate within the facilities available for the period of the cash flow forecast. Accordingly, the directors consider it appropriate to adopt the going concern basis in the preparation of the Company's financial statements.

**Payment of creditors**

The Company manages its procurement and supply chain with increasing consideration of its impact on the Company's profitability, reputation and sustainability objectives and is committed to proactively developing mutually beneficial and sustainable trading relationships with all of our stakeholders, based on a foundation of trust and co-operation.

**Environment**

Mitie Group plc and its subsidiaries endeavour to identify, monitor and manage the impact of their activities on the environment and are 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.

**Employees**

The Company recognises the importance of good communications and employee relationships. In each company there is a relationship between the Chief Executive of Mitie Group plc and individual employees in the company. In these conditions, complex consultative procedures are seldom required to ensure that there is an understanding of the purpose of the business and the commercial realities of success. Employees are encouraged to become shareholders through the Savings Related Share Option Scheme.

**Employee diversity and inclusion**

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.

**Directors**

The directors who served during the year, together with those subsequently appointed were:

Colin Dobell

Paul Ferry

Jeff Flanagan

Nigel Lloyd Beswick - Resigned 2nd September 2013

## Director's report (continued)

Each of the directors in office as of the date of approval of this report confirms that:

- so far as he is aware, there is no relevant audit information (being information required by the auditor in the preparation of their report) of which the Company's auditor is unaware; and
- he has each taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of such information.

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

### Appointment of auditor

Deloitte LLP has indicated its willingness to be reappointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditor in the absence of an Annual General Meeting.

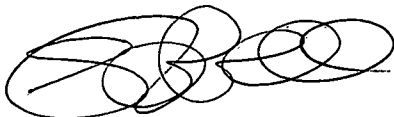
### Directors' responsibilities statement

The directors are responsible for preparing the Annual report and financial statements. The directors have elected to prepare financial statements in accordance with UK GAAP. The directors are required to prepare financial statements for each financial year which 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 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; and
- prepare 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 which disclose with reasonable accuracy at any time the financial position of the Company, safeguarding the assets, taking reasonable steps for the prevention and detection of fraud and other irregularities, and the preparation of Financial Statements which complies with the relevant requirements of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



Colin Dobell  
Director  
31 July 2014

**Independent auditor's report to the members of Mitie Care and Custody Limited**

We have audited the financial statements of Mitie Care and Custody for the year ended 31 March 2014 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 17. 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 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 directors' responsibilities statement, 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 2014 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**

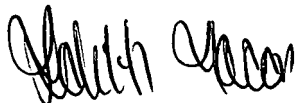
In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent auditor's report to the members of Mitie Care and Custody 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.



**Judith Tacon (Senior statutory auditor)**  
**for and on behalf of Deloitte LLP**  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
31 July 2014



## Profit and loss account

For the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Turnover	1	6,831	6,467
Cost of sales		(6,019)	(5,478)
Gross profit		812	989
Administration expense		(329)	(1,829)
Operating profit/(loss)	2	483	(840)
Profit/(loss) on ordinary activities before interest and taxation		483	(840)
Interest payable and similar charges	5	(53)	(59)
Profit/(loss) on ordinary activities before taxation		430	(899)
Tax (charge)/credit on profit/(loss) on ordinary activities	6	(100)	232
Profit/(loss) for the financial year	13	330	(667)

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

There are no recognised gains and losses for the current or preceeding years other than as stated in the profit and loss account. Accordingly, no seperate statement of total recognised gains and losses is presented.

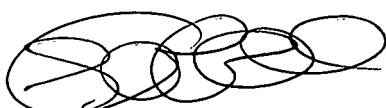
## Balance sheet

As at 31 March 2014

	Note	2014 £'000	2013 £'000
<b>Fixed assets</b>			
Tangible assets	7	100	161
		<u>100</u>	<u>161</u>
<b>Current assets</b>			
Stocks	8	5	5
Debtors	9		
- due within one year		1,268	861
- due after one year		661	4
Cash at bank and in hand		23	30
		<u>1,957</u>	<u>900</u>
<b>Creditors: amounts falling due within one year</b>	10	(2,776)	(2,115)
		<u>(819)</u>	<u>(1,215)</u>
<b>Net current liabilities</b>			
		<u>(719)</u>	<u>(1,054)</u>
<b>Net liabilities</b>		<u>(719)</u>	<u>(1,054)</u>
<b>Share capital and reserves</b>			
Called up share capital	11	385	385
Share premium account	12	218	218
Profit and loss account	12	(1,322)	(1,657)
		<u>(719)</u>	<u>(1,054)</u>
<b>Shareholders' deficit</b>	13	<u>(719)</u>	<u>(1,054)</u>

The financial statements of Mitie Care and Custody Limited were approved by the board of directors and authorised for issue on 31 July 2014.

Signed on its behalf by:



Colin Dobell  
Director

**Cash flow statement****For the year ended 31 March 2014**

	<b>Note</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
<b>Cash flow from continuing operating activities</b>			
Operating profit/(loss)		483	(840)
Depreciation charge		61	60
Decrease in stocks		-	30
(Increase)/decrease in debtors		(1,205)	365
(Decrease)/increase in creditors		(216)	612
Other non-cash changes		5	-
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(872)</b>	<b>227</b>
Interest paid		(53)	(58)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(53)</b>	<b>(58)</b>
<b>Taxation</b>		<b>144</b>	<b>140</b>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		-	(24)
<b>Net cash (outflow) for capital expenditure and financial investment</b>		<b>-</b>	<b>(24)</b>
<b>(Decrease)/increase in net cash</b>		<b>(781)</b>	<b>285</b>
<b>Reconciliation to net (debt)</b>		<b>(354)</b>	<b>(642)</b>
Net (debt) at start of year		(781)	285
Increase in net cash		-	3
Other non-cash changes		-	-
<b>Net debt at end of year</b>		<b>(1,135)</b>	<b>(354)</b>

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

**Notes to the financial statements****Year ended 31 March 2014****1. Accounting policies**

The financial statements of the Company have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

As more fully detailed in the directors' report, the Company's financial statements have been prepared on a going concern basis.

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

**Turnover**

Turnover represents the total, excluding sales taxes, receivable in respect of goods and services supplied. All turnover arises within the United Kingdom, from the Company's principal activity.

Turnover is recognised as services are delivered.

**Pension costs**

The Company participates in the 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 FRS 17 ('Retirement Benefits'), the Company has been unable to identify its share of the underlying assets and liabilities in the main group 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.

For defined contribution schemes the amount charged to the profit and loss account is the contributions payable in the year.

Where the Company can separately identify its share of the underlying assets and liabilities of any defined benefit schemes to which it contributes, the Company accounts for these schemes as required by FRS 17 with the cost of providing benefits determined using the Projected Unit Credit Method, based on actuarial valuations carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the profit and loss account and presented in the statement of total recognised gains and losses. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan. Where the scheme is fully funded no asset or liability is recognised in the balance sheet.

**Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based upon tax rates and legislation that have been enacted or substantively enacted at the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**Notes to the financial statements****Year ended 31 March 2014****1. Accounting policies (continued)*****Share-based payments***

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.

***Tangible fixed assets and depreciation***

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

Plant, office equipment and motor vehicles - 5 years

***Stock***

Stock and work in progress are valued at the lower of cost or net realisable value.

Cost represents 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.

***Long-term contracts***

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts receivable as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long term contract balances in stock.

Profit is recognised on long term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of the total contract value which costs incurred to date bear to total expected costs for that contract.

## Notes to the financial statements

Year ended 31 March 2014

## 2. Operating profit/(loss)

	2014 £'000	2013 £'000
<b>Operating profit/(loss) is stated after charging</b>		
Depreciation of tangible fixed assets:		
owned	61	60
Fees payable to the Company's auditor for the audit of the Company's annual accounts	10	5
	<u>71</u>	<u>65</u>

The Company has taken the exemption available to it not to disclose separately information about fees for non-audit services provided to the Company as this information is available in the consolidated financial statements of Mitie Group plc.

## 3. Employees

The average number of persons (including directors) employed by the Company during the financial year was:

	2014 No.	2013 No.
Operations	135	135
Administration	6	6
	<u>141</u>	<u>141</u>

**Employment cost**

	£'000	£'000
Wages and salaries	2,598	3,193
Social security costs	332	337
Terminations/redundancy costs	43	-
Other pension costs	108	78
Share-based payments	4	-
	<u>3,085</u>	<u>3,608</u>

## Notes to the financial statements

Year ended 31 March 2014

## 4. Directors

	2014 £'000	2013 £'000
The emoluments of the directors of the Company were:		
- Aggregate emoluments	265	258
	<u>265</u>	<u>258</u>

	2014 No.	2013 No.
The number of directors who:		
exercised share options in the year	2	-
	<u>2</u>	<u>-</u>

	2014 £'000	2013 £'000
Highest paid director:		
- Aggregate emoluments	142	138
	<u>142</u>	<u>138</u>

The highest paid director exercised share options in the year.

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 the company and as directors or employees of other group companies.

Director	Remunerated by
Jeff Flanagan	Mitie Group plc

## 5. Interest

	2014 £'000	2013 £'000
<i>Interest payable and similar charges</i>		
Bank interest	53	59
	<u>53</u>	<u>59</u>

## Notes to the financial statements

## Year ended 31 March 2014

## 6. Tax on profit/(loss) on ordinary activities

	2014 £'000	2013 £'000
<b>(a) Analysis of (charge)/credit in the year</b>		
United Kingdom corporation tax 23% (2013: 24%)	108	(209)
Adjustment in respect of prior years	(3)	(223)
	<hr/>	<hr/>
Total current tax (note 6(b))	105	(432)
Deferred taxation:		
Timing differences - origination and reversal	(8)	(7)
Adjustment in respect of prior years	3	207
	<hr/>	<hr/>
Tax on profit/(loss) on ordinary activities	100	(232)
	<hr/>	<hr/>
<b>(b) Factors affecting tax (charge)/credit in the year</b>		
The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 23% (2013: 24%). The differences are as follows:		
Profit/(loss) on ordinary activities before tax	430	(899)
	<hr/>	<hr/>
Tax at 23% (2013: 24%) thereon:	99	(216)
Expenses not deductible for tax purposes	2	-
Differences between capital allowances and depreciation	8	7
Relief in respect of employee share options	(1)	-
Adjustments to tax charge in respect of prior periods	(3)	(223)
	<hr/>	<hr/>
Current tax (charge)/credit for the year (Note 6(a))	105	(432)
	<hr/>	<hr/>



## Notes to the financial statements

## Year ended 31 March 2014

## 6. Tax on profit/(loss) on ordinary activities (continued)

The UK Government announced reductions in the UK corporation tax rate from 23% to 21% from 1 April 2014 and from 21% to 20% from 1 April 2015, which were substantively enacted on 2 July 2013. 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.

*The deferred tax balance comprises the following:*

Depreciation in excess of capital allowances	6	3
Share-based payment timing difference	1	1
Other timing differences	2	-
	<hr/>	<hr/>
Total deferred tax asset	9	4
	<hr/>	<hr/>
Amount (credited) to the profit and loss account in the year in relation to deferred tax	(5)	(200)
	<hr/>	<hr/>

## 7. Tangible fixed assets

	Leasehold improvements £'000	Plant and office equipment £'000	Total £'000
<b>Cost or valuation</b>			
1 April 2013	82	183	265
	<hr/>	<hr/>	<hr/>
31 March 2014	82	183	265
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
1 April 2013	23	81	104
Charge for the year	17	44	61
	<hr/>	<hr/>	<hr/>
31 March 2014	40	125	165
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 March 2014	42	58	100
	<hr/>	<hr/>	<hr/>
At 31 March 2013	59	102	161
	<hr/>	<hr/>	<hr/>

## Notes to the financial statements

Year ended 31 March 2014

## 8. Stocks

	2014 £'000	2013 £'000
Finished goods	5	5
	<u>5</u>	<u>5</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

## 9. Debtors

	2014 £'000	2013 £'000
<b><i>Amounts falling due within one year:</i></b>		
Trade debtors	832	574
Amounts recoverable on contracts	246	-
Amounts owed by Group undertakings	-	25
Other debtors	-	5
Prepayments and accrued income	181	110
Corporation tax	-	147
Deferred tax asset	9	-
	<u>1,268</u>	<u>861</u>
<b><i>Amounts falling due after more than one year:</i></b>		
Amounts recoverable on contracts	661	-
Deferred tax asset	-	4
	<u>661</u>	<u>4</u>

## Notes to the financial statements

## Year ended 31 March 2014

## 10. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Bank loans and overdrafts	1,159	384
Trade creditors	605	423
Amounts owed to Group undertakings	97	238
Corporation tax	102	-
Other taxation and social security	227	440
Other creditors	179	52
Accruals and deferred income	407	578
	<u>2,776</u>	<u>2,115</u>

## 11. Called up share capital

	2014 £'000	2013 £'000
Allotted and called up share capital		
382,500 £1 A Ordinary	383	383
220,000 £0.01 B Ordinary	2	2
1 £1 C Ordinary	-	-
	<u>385</u>	<u>385</u>

The C shareholder is entitled to exercise such number of votes as is equal to 50.1% of all votes attaching to all shares and such votes shall be divided between C shares then in issue (provided that such right shall not affect the voting rights attaching to the B shares and the B shareholders shall, for the avoidance of doubt, be able to exercise, on a poll, one vote per B share then held). In all other respects the A shares, the B shares and the C shares rank pari passu.

## Notes to the financial statements

Year ended 31 March 2014

## 12. Reserves

	Share premium account £'000	Profit and loss account £'000
At start of year	218	(1,657)
Profit for the financial year	-	330
Capital contribution relating to share-based payments	-	5
At end of year	<u>218</u>	<u>(1,322)</u>

## 13. Reconciliation of movement in shareholders' deficit

	2014 £'000	2013 £'000
Profit/(loss) for the financial year	330	(667)
Capital contribution relating to share-based payments	5	-
Net addition to shareholders' funds/(deficit)	<u>335</u>	<u>(667)</u>
Opening shareholders' (deficit)	<u>(1,054)</u>	<u>(387)</u>
Closing shareholders' (deficit)	<u>(719)</u>	<u>(1,054)</u>

## Notes to the financial statements

## Year ended 31 March 2014

## 14. Analysis of changes in net cash

	At start of year £'000	Cash flow £'000	At end of year £'000
Cash at bank and in hand	30	(6)	24
Overdraft	(384)	(775)	(1,159)
Net cash	(354)	(781)	(1,135)
Debt due within one year	(2,115)	(661)	(2,776)
Debt	(2,115)	(661)	(2,776)
Net cash	(2,469)	(1,442)	(3,911)

## 15. Share-based payments

The Company participates in the following Mitie Group plc share option schemes:

***The Mitie Group plc 2001 Savings Related share option scheme***

The SAYE scheme is open to all employees. The exercise price is not less than 80.0% of the market value of the shares on the day preceding the date on which invitations to participate in the scheme are issued. For options granted prior to September 2008, the vesting period is five years. For options granted in September 2008 and thereafter, the vesting period is three years. If the options remain unexercised after a period of six months from the date of vesting, the options expire. Options may be forfeited if the employee leaves the group.

***The Mitie Group plc 2011 SAYE Scheme***

The SAYE scheme is open to all employees. The exercise price is not less than 80.0% of the market value of the shares determined using either: the share price preceding the date on which invitations to participate in the scheme are issued; or an average share price over five days preceding the invitation date. The vesting period is three years. If the options remain unexercised after a period of six months from the date of vesting, the options expire. Options may be forfeited if the employee leaves the group.

***The Share Incentive Plan (SIP)***

The SIP was introduced in 2011 and is a non-discretionary scheme open to all eligible UK resident employees. Under the scheme, eligible 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 and has a holding period of three years. Matching Shares are funded by way of market purchases.

## Notes to the financial statements

## Year ended 31 March 2014

## 15. Share-based payments (continued)

Details of the share options outstanding during the year are as follows:

	2014		2013	
	Number of share options	Weighted average exercise price (p)	Number of share options	Weighted average exercise price (p)
Outstanding at beginning of the year	16,463	213	-	-
Granted	3,545	180	11,860	223
Forfeited	(2,040)	220	(322)	223
Transferred from group companies	-	-	4,925	190
Exercised	(4,925)	314	-	-
	<u>13,043</u>	<u>165</u>	<u>16,463</u>	<u>213</u>
Outstanding at end of the year				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Exercisable at end of year				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Company recognised the following expense related to share-based payments:

	2014 £'000	2013 £'000
Executive share options		
Savings related share options	4	1
	<u>4</u>	<u>1</u>

	2014	2013
The weighted average share price at the date of exercise for share options exercised during the year was: (p)	-	-
The options outstanding at the year-end had a weighted average price of: (p)	208	213
The options outstanding at the year-end had a weighted average remaining contractual life of: (years)	2	2
	<u>2</u>	<u>2</u>

The Company granted options under the following schemes in the year:

	Fair value £'000
Savings related share options	1
SIP	1

## Notes to the financial statements

## Year ended 31 March 2014

## 15. Share-based payments (continued)

The fair value of options is measured by use of the Black-Scholes model or the Monte Carlo model. The inputs into the models are as follows:

	2014	2013
<b>Black-Scholes</b>		
Share price (p)	219 - 274	198 - 274
Exercise price (p)	0 - 254	0 - 254
Expected volatility (%)	30 - 32	32 - 35
Expected life (years)	3 - 5	3 - 5
Risk-free rate (%)	0.55 - 1.48	0.55 - 2.42
Expected dividends (%)	3.5 - 4.1	3.3 - 4.1
<b>Monte-Carlo</b>		
Share price (p)	251	-
Exercise price (p)	32	-
Expected volatility (%)	24	-
Expected life (years)	3	-
Risk-free rate (%)	0.64	-
Expected dividends (%)	4.1	-

Expected volatility was based on historical volatility over the expected life of the schemes. The expected life is based upon historical data and has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations.

## Notes to the financial statements

Year ended 31 March 2014

## 16. Related party transactions

Set out below are the related party transactions. The Company has taken the exemption available under FRS 8 not to disclose transactions with other wholly-owned subsidiaries of Mitie Group plc. There were no transactions with entities other than members of Mitie Group plc which require disclosure under FRS 8

Related Party	Nature of transaction	Transaction amount		Year end balance	
		2014 £'000	2013 £'000	2014 £'000	2013 £'000
Mitie Catering Services Limited	Purchases	396	366	0	72
Mitie Facility Services Limited	Sales	7		(4)	
Mitie Cleaning and Environmental Services Ltd	Purchases	5		(2)	
Mitie Cleaning and Environmental Services Ltd	Sales	7			
Mitie Justice Limited	Sales	222		(3)	
Mitie Justice Limited	Purchases	87			

## 17. Ultimate parent undertaking and controlling party

Mitie Group plc is the immediate controlling party and the directors regard Mitie Group plc, a company registered in Scotland, as the ultimate parent company and controlling party.

Mitie Group plc is the largest and smallest group for which group accounts are prepared. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.