

**Mitie Care and Custody Limited**

**Annual Report and Financial Statements**

**Registered number 06976230**

**31 March 2019**

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## **Company information**

### **Directors**

P J G Dickinson  
C A Dobell  
D A Spencer

### **Secretary**

Mitie Company Secretarial Services Limited

### **Registered office**

Level 12 The Shard  
32 London Bridge Street  
London  
SE1 9SG

### **Auditor**

BDO LLP  
Statutory Auditor  
55 Baker Street  
W1U 7EU

## Strategic report

Mitie Care and Custody 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 provide outsourced custody services to HM Government, including the management of prisons and immigration removal centres. There have not been any significant changes in the Company's principal activities in the year under review.

As shown in the Company's profit and loss account on page 9, the Company's turnover was £80,655,000 (2018: £35,350,000) and the profit after tax was £1,403,000 (2018: £616,000).

Care and Custody more than doubled in size on the back of successful mobilisation of the Detention & Escorting Services (D&E) Home Office contract won in December 2017. During the year Care & Custody also won a contract to manage electronic tagging of offenders which gives the business an entry point into a new market within the criminal justice system. This continued growth of the business is allowing Care & Custody to expand and gain expertise in areas adjacent to its core immigration detention service and has expanded its pipeline to include large opportunities such as the latest cycle of Prisoner Escort and Court Services Contracts (PECS4) and further opportunities in the electronic tagging market.

### 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 light of the Group Risk Framework. The Directors do not believe there to be any significant risks other than those detailed below.

Key risks include:

#### Strategic Risks

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

The Company is exposed to UK market conditions. Company performance and resourcing requirements may be impacted by any changes in the market. We have an ability to recognise and adapt to any change in requirement for services and are well placed to adapt to policy changes. We are closely monitoring the outcomes of the European Union exit negotiations and any resulting policy changes to determine the impact on future contract opportunities and availability of resources.

#### Financial Risks

##### *Reliance on material counterparties*

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

## Strategic report (continued)

### Operational Risks

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

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

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

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

#### *Attracting and retaining skilled people*

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

### Financial risk management

The Company does not enter into any hedging instruments, or any financial instruments for speculative purposes.

Appropriate trade terms are negotiated with suppliers and customers. Management reviews these terms and the relationships with suppliers and customers and manages any exposure on normal trade terms. The Company prepares regular forecasts of cash flow and liquidity and any requirement for additional funding is managed as part of the overall Mitie Group plc financing arrangements.

### Future developments

The Directors expect the general level of activity to increase in the forthcoming year. This is as a result of the successful mobilisation of a 10-year Detention & Escorting contract part-way through the current year and the recent award of a contract to manage electronic tagging of offenders. Contractual service-related penalties are closely managed within the business and we expect to continue to drive technological improvements in our performance monitoring capability in order to offset the risk of any potential increase in contractual service-related penalties. The Company has a very robust pipeline of bidding activity throughout the coming year and the Directors are confident that, if awarded, any further increased volumes of business will begin to mobilise during 2020.

The government is committed to an outsourcing agenda, providing certainty to the existing pipeline. We expect a new range of opportunities in our core criminal justice markets to be created through expiration of our competitors' existing contracts and further central government initiatives.

### 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:



**C A Dobell**  
Director

22 July 2019

## **Directors' report**

The Directors present the Annual Report and audited Financial Statements of Mitie Care and Custody Limited ('the Company') for the year ended 31 March 2019.

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

### **Going concern**

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

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

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

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

As stated in the Strategic report on page 2, the Directors have reviewed the financial risk management objectives and policies of the Company in the light of the Group Risk Framework. The Directors do not believe there to be any significant risk.

### **Directors**

The Directors who held office during the year and up to the date of signing the financial statements;

P J G Dickinson  
C A Dobell  
D A Spencer

### **Dividends**

No dividend was declared or paid in the year (2018: no dividend).

### **Environment**

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

## Directors' report (continued)

### Employees

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

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

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

### Political contributions

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

### Disclosure of information to auditor

Each Director who is the Director of the Company at the date of approval of these financial statements confirms that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that ought to have been taken as a Director to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

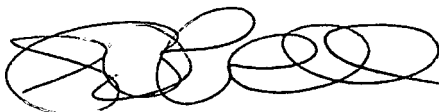
### Other information

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

### Auditor

Pursuant to Section 487 of the Companies Act 2006, BDO LLP have been appointed as the auditor.

On behalf of the Board



**C A Dobell**  
Director

Level 12 The Shard  
32 London Bridge Street  
London  
SE1 9SG

22 July 2019

## **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.



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

## **Opinion**

We have audited the financial statements of Mitie Care and Custody Limited ("the Company") for the year ended 31 March 2019 which comprise the Profit and loss account, the Balance sheet, the Statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

### **In our opinion the financial statements:**

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 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

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

## **Independent auditor's report to the member of Mitie Care and Custody Limited (continued)**

### **Matters on which we are required to report by exception**

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 material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which 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.

### **Responsibilities of Directors**

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

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.

BDO LLP

Oliver Chinneck (Senior Statutory Auditor)  
for and on behalf of BDO LLP, statutory auditor  
London, UK  
22 July 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## Profit and loss account

	<i>Note</i>	<b>2019</b> £000	<b>2018<sup>1</sup></b> £000
<b>Turnover</b>	<b>2</b>	<b>80,655</b>	<b>35,350</b>
Cost of sales		<b>(74,679)</b>	<b>(31,275)</b>
		<hr/>	<hr/>
<b>Gross profit</b>		<b>5,976</b>	<b>4,075</b>
Administrative expenses		<b>(4,565)</b>	<b>(3,599)</b>
		<hr/>	<hr/>
<b>Operating profit</b>	<b>3</b>	<b>1,411</b>	<b>476</b>
Other interest receivable and similar income	<b>6</b>	<b>416</b>	<b>320</b>
Interest payable and similar expenses		<b>-</b>	<b>(36)</b>
		<hr/>	<hr/>
<b>Profit before taxation</b>		<b>1,827</b>	<b>760</b>
Tax on profit	<b>7</b>	<b>(424)</b>	<b>(144)</b>
		<hr/>	<hr/>
<b>Profit for the financial year</b>		<b>1,403</b>	<b>616</b>
		<hr/>	<hr/>

Note:

1. The Company has applied IFRS 9 starting 1 April 2018 using the transition option available in the standard by disclosing the impact as an adjustment to retained earnings at the date of initial application. Under this option, the comparative information is not restated. See note 1.

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

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

The notes on pages 12 to 31 form an integral part of these financial statements.

## Balance sheet

	<i>Note</i>	<b>2019</b> <b>£000</b>	<b>2018<sup>1</sup></b> <b>£000</b>
<b>Non-current assets</b>			
Tangible assets	8	752	682
Contract assets	11	2,321	965
Deferred tax assets	13	104	349
		<u>3,177</u>	<u>1,996</u>
<b>Current assets</b>			
Stocks	9	42	53
Debtors	10	10,573	6,254
Cash at bank and in hand		12,574	7,662
Contract assets	11	569	175
		<u>23,758</u>	<u>14,144</u>
Creditors: amounts falling due within one year	12	(14,365)	(9,243)
Deferred income	11	(1,977)	(2,077)
<b>Net current assets</b>		<u>7,416</u>	<u>2,824</u>
<b>Total assets less current liabilities</b>		<u>10,593</u>	<u>4,820</u>
Deferred income	11	(6,590)	(2,233)
<b>Provisions for liabilities</b>	14	(82)	(45)
<b>Net assets</b>		<u>3,921</u>	<u>2,542</u>
<b>Capital and reserves</b>			
Called up share capital	16	385	385
Share premium account	16	313	313
Profit and loss account	16	3,223	1,844
<b>Shareholders' funds</b>		<u>3,921</u>	<u>2,542</u>

1. The Company has applied IFRS 9 starting 1 April 2018 using the transition option available in the standard by disclosing the impact as an adjustment to retained earnings at the date of initial application. Under this option, the comparative information is not restated.

The notes on pages 12 to 31 form an integral part of these financial statements.

The financial statements of Mitie Care and Custody Limited, company number 06976230, were approved by the Board of Directors and authorised for issue on 22 July 2019 and were signed on its behalf by:



**C A Dobell**  
Director

## Statement of changes in equity

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Adjusted balance at 1 April 2017	385	313	963	1,661
<b>Total comprehensive income</b>				
Profit for the Year	-	-	616	616
Total comprehensive income for the year	-	-	616	616
<b>Transactions with owners</b>				
Share-based payments	-	-	265	265
Total contributions by and distributions to owners	-	-	265	265
<b>Balance at 31 March 2018</b>	<b>385</b>	<b>313</b>	<b>1,844</b>	<b>2,542</b>

	Called up share capital £000	Share Premium Account £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2018	385	313	1,844	2,542
Impact of change in accounting policy <sup>1</sup>	-	-	(28)	(28)
Adjusted balance at 1 April 2018	385	313	1,816	2,514
<b>Total comprehensive income</b>				
Profit for the Year	-	-	1,403	1,403
Total comprehensive income for the year	-	-	1,403	1,403
<b>Transactions with owners</b>				
Share-based payments	-	-	4	4
Total contributions by and distributions to owners	-	-	4	4
<b>Balance at 31 March 2019</b>	<b>385</b>	<b>313</b>	<b>3,223</b>	<b>3,921</b>

Note:

1. The Company has applied IFRS 9 starting 1 April 2018 using the transition option available in the standard by disclosing the impact as an adjustment to retained earnings at the date of initial application. Under this option, the comparative information is not restated. See note 1.

The notes on pages 12 to 31 form an integral part of these financial statements.

## Notes

### 1 Accounting policies, judgements and estimates

#### a) General information

Mitie Care and Custody Limited (the "Company") is a private company limited by shares and is incorporated in England and Wales and domiciled in the UK. The Company's registered number is 06976230. The Company's registered office is Level 12 The Shard, 32 London Bridge Street, London, SE1 9SG. Details of the Company's activities are set out in the Strategic Report.

The Company's ultimate parent undertaking, Mitie Group plc includes the Company in its consolidated financial statements. The consolidated financial statements of Mitie Group plc, which are prepared in accordance with International Financial Reporting Standards, are available to the public and may be obtained from [www.mitie.com](http://www.mitie.com).

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

#### b) Statement of compliance with FRS101

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.

#### c) Basis of preparation

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 and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosure in respect of related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

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

- IFRS 2 Share Based Payments in respect of Group settled share based payments;
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

With the exception of IFRS 9 which is discussed below, there are no new and mandatorily effective standards in the year that would have a material impact on the financial statements.

## Notes (continued)

### 1 Accounting policies, judgements and estimates (continued)

#### c) Basis of preparation (continued)

IFRS 9 'Financial instruments' became effective for the Company starting 1 April 2018 and replaces the requirements of IAS 39 'Financial instruments: recognition and measurement'. The main changes introduced by the new standard are new classification and measurement requirements for certain financial assets, a new Expected Credit Loss (ECL) model for the impairment of financial assets, revisions to the hedge accounting model, and amendments to disclosures. The Company elected, from 1 April 2018, to continue to apply the hedge accounting guidance in IAS 39 'Financial instruments: recognition and measurement'.

With respect to loss allowances for trade receivables, IFRS 9 replaces the 'incurred loss' model in IAS 39 with an ECL model. The Company, from 1 April 2018, measures loss allowances for trade receivables and accrued income at an amount equal to lifetime expected credit losses using both quantitative and qualitative information and analysis based on the Company's historical experience, and forward-looking information. The Company has determined that the transition to IFRS 9 results in an additional loss allowance for trade receivables and accrued income as at 1 April 2018 of £35,000 and gives rise to a current tax credit of £7,000. The additional loss allowance has been applied as an adjustment to opening retained earnings at 1 April 2018 and therefore, the prior period comparative information is not restated.

Judgements made by the Directors, in the application of these accounting policies, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### **Measurement convention**

The financial statements are prepared on the historical cost basis.

## Notes (continued)

### 1 Accounting policies, judgements and estimates (continued)

#### d) Significant accounting policies

##### Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes 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.

Financial assets comprise trade and other receivables and cash and cash equivalents that are measured at initial recognition at fair value and subsequently at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised including 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.

The assessment of impairment of trade receivables and accrued income from 1 April 2018 is in accordance with IFRS 9. All of the Company's cash flows from customers are solely payments of principal and interest, and do not contain a significant financing component. Financial assets generated from all of the Company's revenue streams are therefore initially measured at their transaction price (as defined in IFRS 15) and are subsequently remeasured at amortised cost. Under IFRS 9, the Company will now recognise a loss allowance for expected credit losses (ECL) on all receivable balances from customers subsequently measured at amortised cost, using the 'simplified approach'.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A proportion of the Company's accrued income balance is deemed as 'held for collection and sale' being subject to future sale under the Company's CID facility when billed to the customer. The consequential classification as, and measurement at fair value through other comprehensive income of those accrued income assets classified as held for collection and sale, is deemed immaterial based on management's assessment of the time period that such assets are held in accrued income prior to being billed, which is generally within 30 days.

The remaining balance of accrued income is considered to be within a 'held-to-collect' business model, consistent with the Company's continuing recognition of trade receivables. There is no difference between the Company's calculation and treatment of loss allowances applied to receivables held within either a held-to-collect business model or held for collection and sale business model.

Financial liabilities comprise trade payables, financing liabilities, bank and other borrowings, 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. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement. The Company is party with other Group undertakings to cross-guarantees of each others bank overdrafts and loans.

Included within the Company's trade creditors balance are amounts relating to payments due to UK suppliers who make use of bank provided supply chain finance arrangements to allow supplier early payment. Amounts are settled in accordance with each suppliers' normal payments terms and payments continue to be classified within cash generated by operations. The Company does not receive any additional guarantees and does not pay any interest in relation to these amounts.



## Notes (continued)

### 1 Accounting policies, judgements and estimates (continued)

#### d) Significant accounting policies (continued)

##### Tangible assets

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

- Plant and vehicles: 3 - 10 years

##### Impairment of non-current assets

Annually the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

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

##### Employee benefits

###### Retirement benefit costs

The Group participates in a number of defined benefit schemes. In respect of the schemes in which the Company participates, the Company accounts for its legal and constructive obligations over the period of its participation which is for a fixed period only. The Company operates a number of defined contribution retirement benefit schemes for all qualifying employees. Payments to the defined contribution and stakeholder pension schemes are charged as an expense as they fall due.

The Company also participates in a number of other local government defined benefit schemes. In respect of the schemes in which the Company participates, the Company accounts for its legal and constructive obligations over the period of its participation which is for a fixed period only.

##### Stocks

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

##### Dividends

Dividends are recognised when they become legally payable. This is when approved by the Shareholders of the Company.

## Notes (continued)

### 1 Accounting policies, judgements and estimates (continued)

#### d) Significant accounting policies (continued)

##### Leasing

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

Capitalised leased assets are depreciated over the shorter of the estimated life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Any lease incentives are amortised on a straight-line basis over the non-cancellable period for which the Company has contracted to lease the asset, together with any further terms for which the Company has the option to continue to lease the asset if, at the inception of the lease, it is judged to be reasonably certain that the Company will exercise the option.

##### Provisions for liabilities

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

##### Turnover

IFRS 15 provides a single, principles based five-step model to be applied to all sales contracts as outlined below. It is based on the transfer of control of goods and services to customers and replaces the separate models for goods, services and construction contracts.

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

## Notes (continued)

### 1 Accounting policies, judgements and estimates (continued)

#### d) Significant accounting policies (continued)

Set out below is the revenue recognition policy under IFRS 15 and the five-step model together with the impact of adopting the standard.

##### Step 1 - Identify the contract(s) with a customer

For all contracts with customers, the Company determines if the arrangement creates enforceable rights and obligations. This assessment results in certain Framework arrangements or Master Service Agreements (MSAs) not meeting the definition of a contract under IFRS 15 unless it specifies the minimum quantities to be ordered. Usually the work order and any change orders together with the Framework or MSA will constitute the IFRS 15 contract.

##### Contract modifications

A contract modification takes place when the amendment creates new enforceable rights and obligations or changes the existing price or scope (or both) of the contract, and the modification has been approved. Contract modifications can be approved in writing, by oral agreement, or implied by customary business practices.

If the parties to the contract have not approved a contract modification, revenue is recognised in accordance with the existing contractual terms. If a change in scope has been approved but the corresponding change in price is still being negotiated, the Company estimates the change to the total transaction price.

Contract modifications are accounted for as a separate contract if the contract scope changes due to the addition of distinct goods or services and the change in contract price reflects the standalone selling price of the distinct good or service. The facts and circumstances of any modification are considered in isolation as these are specific to each contract and may result in different accounting outcomes.

##### Step 2 - Identify the performance obligations in the contract

Performance obligations are the contractual promises by the Company to transfer distinct services to a customer. For arrangements with multiple components to be delivered to customers such as in the Company's integrated facilities management contracts, the Company applies judgement to consider whether those promised services are:

- i. Distinct and accounted for as separate performance obligations;
- ii. Combined with other promised services until a bundle is identified that is distinct; or
- iii. Part of a series of distinct services that are substantially the same and have the same pattern of transfer over time i.e. where the customer is deemed to have simultaneously received and consumed the benefits of the services over the life of the contract, the Company treats the series as a single performance obligation.

##### Step 3 - Determine the transaction price

At contract inception, the total transaction price is determined, being the amount to which the Company expects to be entitled and has rights under the current contract. This includes the fixed price stated in the contract and an assessment of any variable consideration, up or down, resulting from e.g. discounts, rebates, service penalties. Variable consideration is typically estimated based on the expected value method and is only recognised to the extent it is highly probable that a subsequent change in its estimate would not result in a significant revenue reversal.

## Notes (continued)

### 1 Accounting policies, judgements and estimates (continued)

#### d) Significant accounting policies (continued)

##### Step 4 - Allocate the transaction price to the performance obligations in the contract

The Company allocates the total transaction price to the identified performance obligations based on their relative stand-alone selling prices. This is predominantly based on an observable price or a cost plus margin arrangement.

##### Step 5 - Recognise revenue when or as the entity satisfies its performance obligations

For each performance obligation, the Company determines if revenue will be recognised over time or at a point in time. Where revenue is recognised over time, the Company applies the relevant output or input revenue recognition method for measuring progress that faithfully depicts the Company's performance in transferring control of the goods and services to the customer.

Certain contracts use output methods based upon surveys of performance completed, appraisals of results achieved, or milestones reached which allow the Company to recognise revenue on the basis of direct measurements of the value to the customer of the services transferred to date relative to the remaining goods and services under the contract.

Under the input method, measured progress and revenue are recognised in direct proportion to costs incurred where the transfer of control is most closely aligned to the Company's efforts in delivering the service.

Where deemed appropriate, the Company will utilise the practical expedient within IFRS15, allowing revenue to be recognised at the amount which the Company has the right to invoice, where that amount corresponds directly with the value to the customer of the Company's performance completed to date.

If performance obligations do not meet the criteria to recognise revenue over time, revenue is recognised at the point in time when control of the service passes to the customer. This may be at the point of physical delivery of goods and acceptance by a customer or when the customer obtains control of an asset or service in a contract with customer-specified acceptance criteria.

##### Repeat service-based contracts (single and bundled contracts)

The Company operates a number of single or joint-service line arrangements where repeat services meet the definition of a series of distinct services that are substantially the same (e.g. the provision of cleaning, security, catering, waste, and landscaping services). They have the same pattern of transfer of value to the customer as the series constitutes core services provided in distinct time increments (e.g. monthly or quarterly). The Company therefore treats the series of such services as one performance obligation.

##### Short-term service-based arrangements

The Company delivers a range of other short-term service based performance obligations and professional services work across certain reporting segments for which revenue is recognised at the point in time when control of the service has transferred to the customer. This may be at the point when the customer obtains control of the service in a contract with customer-specified acceptance criteria e.g. the delivery of a strategic operating model or report.

##### Other revenue

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

##### Contract assets

###### Pre-contract costs

The Company incurs pre-contract expenses (e.g. legal costs) when it is expected to enter into a new contract. The incremental costs to obtain a contract with a customer are recognised within contract assets if it is expected that those costs will be recoverable. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense in the period.

## Notes (continued)

### 1 Accounting policies, judgements and estimates (continued)

#### d) Significant accounting policies (continued)

##### *Contract fulfilment costs*

Costs incurred to ensure that the project or programme has appropriate organisational, operational and technical infrastructures, and mechanisms in place to enable the delivery of full services under the contract target operating model, are defined as contract fulfilment costs. Only costs which meet all three of the criteria below are included within contract assets on the balance sheet:

- i. the costs directly relate to the contract (e.g. direct labour, materials, sub-contractors);
- ii. the Company is building an asset that belongs to the customer that will subsequently be used to deliver contract outcomes; and
- iii. the costs are expected to be recoverable i.e. the contract is expected to be profitable after amortising the capitalised costs.

Contract fulfilment costs covered within the scope of another accounting standard, such as inventories, intangible assets, or property, plant and equipment are not capitalised as contract fulfilment assets but are treated according to the other standard.

##### *Amortisation and impairment of contract assets*

The Company amortises contract assets (pre-contract costs and contract fulfilment costs) on a systematic basis that is consistent with the entity's transfer of the related goods or services to the customer. The expense is recognised in profit or loss in the period.

A capitalised pre-contract cost or contract fulfilment cost is derecognised either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

The Company is required to determine the recoverability of contract related assets at each reporting date. An impairment exists if the carrying amount of any asset exceeds the amount of consideration the entity expects to receive in exchange for providing the associated goods and services, less the remaining costs that relate directly to providing those goods and services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price which includes estimates around variable consideration. An impairment is recognised immediately where such losses are forecast.

The Company's customer contracts include a diverse range of payment schedules which are often agreed at the inception of long-term contracts under which it receives payments throughout the term of the arrangement. Payments for goods and services transferred at a point in time may be at the delivery date, in arrears or part payment in advance.

Where revenue recognised at the period end date is more than amounts invoiced, the Company records accrued income for the difference. Where revenue recognised at the period end date is less than amounts invoiced, the Company recognises deferred income for the difference.

Certain arrangements with customers include a contractual obligation to make redundancies for which the Company is reimbursed for the costs incurred. Revenue is not recognised on these transactions. Instead, the Company expenses all redundancy costs in the period they are incurred and any reimbursement credit is matched against the associated cost included in the income statement up to the value of the redundancy cost incurred. Any cash payments received from the customer in excess of the reimbursement cost of redundancy are deferred over the contract term and unwound in line with the other services being delivered.

Where price step-downs are required in a contract and output is not decreasing, revenue is deferred from initial years to subsequent years in order for revenue to be recognised on a consistent basis.

Providing the option for a customer to obtain extension periods or other services at a significant discount may lead to a separate performance obligation where a material right exists. Where this is the case, the Company allocates part of the transaction price from the original contract to deferred income which is then amortised over the discounted extension period or recognised immediately when the extension right expires.

The Company has also applied the exemptions available under FRS 101 in respect of certain disclosures relating to IFRS 15 *Revenue from Contracts with Customers*.

## Notes (continued)

### 1 Accounting policies, judgements and estimates (continued)

#### d) Significant accounting policies (continued)

##### Share-based payments

The Company participates in a number of Mitie Group plc executive and employee share option schemes. For grants of share options and awards, 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 eventually vest. Further details of the Group's share option schemes are contained in the Mitie Group plc annual report.

Save As You Earn (SAYE) options are treated as cancelled when employees cease to contribute to the scheme, resulting in an acceleration of the remainder of the related expense.

##### 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 when the Company intends to settle its current tax assets and liabilities on a net basis.

## Notes (continued)

### e) Critical accounting judgements and key sources of estimation uncertainty

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

In the process of applying the Company's accounting policies, which are described in Note 1 (d) above, management has made the following judgements that have the most effect on the amounts recognised in the financial statements.

#### *Revenue recognition*

The Company's revenue recognition policies, which are set out in Note 1 (d) are central to how the Company measures the work it has performed in each financial year.

Management is required to form a number of key judgements and assumptions in the determination of the amount of revenue and profits to record, and related balance sheet items such as contract assets, accrued income and deferred income to recognise (refer to Note 1 (d)). This includes an assessment of the costs the Company incurs to deliver the contractual commitments and whether such costs should be expensed as incurred or capitalised.

In addition, for certain contracts, key assumptions are made concerning:

- i. contract extensions and amendments which, for example, directly impact the phasing of upfront payments from customers which are recognised in deferred income and unwound over the expected contract term; or
- ii. where options are granted to customers leading to the recognition of a material right. These judgements are inherently subjective and may cover future events such as the achievement of contractual performance targets and planned cost savings or discounts.

#### *Recoverability of aged debtors and accrued income*

The Company has material amounts of billed and unbilled work outstanding at year end as outlined in Note 10. Where balances become aged or subject to dispute the risk of recoverability increases. As a consequence there is significant management judgement involved in assessing the recoverability of these balances which involves consideration of contractual rights, work performed as well as the status of ongoing commercial negotiations. The judgement as to whether an amount has become irrecoverable is an assessment made by the Directors in the determination of the total expected credit loss recognised by the Company under IFRS 9.

#### *Recoverability of amounts owed by Group undertakings*

The Company has material amounts owed by Group undertakings outstanding at year end. The judgement as to whether an amount has become irrecoverable is an assessment made by the Directors in the determination of the expected total credit loss recognised under IFRS 9. This assessment takes into consideration Group solvency and access to Group funding by the debtor. The Directors consider the full amount owed to be recoverable under IFRS 9.

#### **Key sources of estimation uncertainty are as follows:**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below.

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

### **2 Turnover**

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

### **3 Expenses and auditor's remuneration**

*Auditor's remuneration:*

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Audit of these financial statements	-	10
Audit fees borne by Mitie Group Plc and not recharged	<u>10</u>	<u>-</u>

### **4 Staff numbers and costs**

The average number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

	<b>Number of employees</b>	
	<b>2019</b>	<b>2018</b>
Operations	1,550	673
Administration	<u>20</u>	<u>2</u>
	<u><b>1,570</b></u>	<u><b>675</b></u>

The aggregate payroll costs of these persons were as follows:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	44,821	19,134
Share based payments (See note 15)	4	143
Social security costs	4,201	1,900
Termination and redundancy payments	717	29
Pension costs	<u>1,338</u>	<u>636</u>
	<u><b>51,081</b></u>	<u><b>21,842</b></u>



**Notes (continued)**

**5 Directors' remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Directors' emoluments	<b>460</b>	<b>441</b>
Company contributions to money purchase pension plans	<b>16</b>	<b>56</b>

In respect of the highest paid Director:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Directors Emoluments	<b>259</b>	<b>250</b>
Money purchase pension contributions	<b>3</b>	<b>28</b>

	<b>Number of Directors</b>	
	<b>2019</b>	<b>2018</b>
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	<b>2</b>	<b>2</b>

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

<b>Director</b>	<b>Remunerated by</b>	<b>Disclosed by</b>
P J G Dickinson	Mitie Limited	Mitie Limited

**6 Other interest receivable and similar income**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Interest receivable and similar from Group undertakings	<b>416</b>	<b>320</b>
Total interest receivable and similar income	<b>416</b>	<b>320</b>

## Notes (continued)

### 7 Taxation

	2019 £000	2018 £000
<i>Analysis of charge in the year</i>		
Current tax on income for the period	383	-
Adjustments in respect of prior periods	(204)	7
Total current tax	179	7
<i>Deferred tax (see note 13)</i>		
Origination and reversal of temporary timing differences	24	119
Reduction in statutory tax rate	(3)	4
Adjustments in respect of prior periods	224	14
Total deferred tax	245	137
Tax on profit	424	144
	2019 £000	2018 £000
<i>Reconciliation of effective tax rate</i>		
Profit for the year	1,403	616
Total tax expense	424	144
Profit excluding taxation	1,827	760
Tax using the UK corporation tax rate of 19% (2018: 19%)	347	145
Reduction in statutory tax rate on deferred tax balances	(3)	3
Expenses not deductible for tax purposes	23	1
Relief/(charge) in respect of employee share options	37	(26)
Adjustments in respect of prior periods	20	21
Total tax expense	424	144

The main rate of corporation tax will reduce from 19% to 17% from 1 April 2020. These rates have been used to calculate the deferred tax balance as they were substantively enacted at the balance sheet date.

**Notes** *(continued)*

**8 Tangible fixed assets**

	Plant & vehicles £000	Under construction £000	Total £000
<b>Cost</b>			
Balance at 1 April 2018	1,791	-	1,791
Additions	434	15	449
	<u>2,225</u>	<u>15</u>	<u>2,240</u>
<b>Balance at 31 March 2019</b>			
	<u>2,225</u>	<u>15</u>	<u>2,240</u>
<b>Depreciation and Impairment</b>			
Balance at 1 April 2018	1,109	-	1,109
Depreciation charge for the year	379	-	379
	<u>1,488</u>	<u>-</u>	<u>1,488</u>
<b>Balance at 31 March 2019</b>			
	<u>1,488</u>	<u>-</u>	<u>1,488</u>
<b>Net book value</b>			
At 1 April 2018	682	-	682
	<u>682</u>	<u>-</u>	<u>682</u>
<b>At 31 March 2019</b>			
	<u>737</u>	<u>15</u>	<u>752</u>

**9 Stocks**

	2019 £000	2018 £000
Raw materials and consumables	42	53
	<u>42</u>	<u>53</u>

## Notes (continued)

### 10 Debtors

	2019 £000	2018 <sup>1</sup> £000
Trade debtors	6,947	3,215
Amounts owed by Group undertakings	1,177	1,067
Other debtors	298	147
Prepayments	534	307
Accrued income	1,617	1,518
<b>Total</b>	<b>10,573</b>	<b>6,254</b>

#### Notes:

1. The Group has applied IFRS 9 using the cumulative effect method. Under this method, the comparative information is not restated. See Note 1.

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

Amounts owed by Group undertakings are repayable on demand.

### 11 Accrued income and deferred income from contracts with customers

	2019 £000	2018 £000
<b>Contract assets</b>		
Accrued income included within current assets	569	965
Accrued income included within non-current assets	2,321	175
<b>Total accrued income in contract assets</b>	<b>2,889</b>	<b>1,140</b>
<b>Deferred income</b>		
Deferred income included within current liabilities	1,977	2,077
Deferred income included within non-current liabilities	6,590	2,233
<b>Total deferred income</b>	<b>8,568</b>	<b>4,310</b>

**Notes (continued)**

**12 Creditors: amounts falling due within one year**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	<b>1,553</b>	<b>2,507</b>
Amounts owed to Group undertakings	<b>1,147</b>	<b>1,142</b>
Taxation and social security	<b>4,776</b>	<b>1,594</b>
Corporation tax	<b>172</b>	<b>185</b>
Other creditors	<b>274</b>	<b>220</b>
Accruals	<b>6,443</b>	<b>3,595</b>
	<b>14,365</b>	<b>9,243</b>

**13 Deferred tax assets and liabilities**

*Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

	<b>Assets</b>	
	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Tangible fixed assets	<b>77</b>	<b>58</b>
Share-based payments	<b>21</b>	<b>62</b>
Provisions	<b>6</b>	<b>11</b>
Tax losses carried forward	<b>-</b>	<b>218</b>
	<b>104</b>	<b>349</b>

*Movement in deferred tax during the year*

	<b>1 April 2018</b>	<b>Recognised in income</b>	<b>Recognised in equity</b>	<b>31 March 2019</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Tangible fixed assets	58	19	-	77
Share-based payments	62	(41)	-	21
Provisions	11	(5)	-	6
Tax losses carried forward	218	(218)	-	-
	<b>349</b>	<b>(245)</b>	<b>-</b>	<b>104</b>

## Notes (continued)

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

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

	1 April 2017 £000	Recognised in income £000	Recognised in equity £000	31 March 2018 £000
Tangible fixed assets	59	(1)	-	58
Share-based payments	15	47	-	62
Provisions	9	2	-	11
Tax losses carried forward	-	(185)	403	218
	<u>83</u>	<u>(137)</u>	<u>403</u>	<u>349</u>

The UK Government announced a reduction in the UK corporation tax rate from 19% to 17% from 1 April 2020, which has been substantively enacted.

The reduction in the balance sheet carrying value of deferred tax assets and liabilities to reflect the rate of tax at which those differences are expected to reverse has not had a material impact on the current year tax charge.

### 14 Provisions

	Insurance Excess Provision £000
Balance at 1 April 2018	45
Provisions made during the year	<u>37</u>
<b>Balance at 31 March 2019</b>	<b><u>82</u></b>

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

## **Notes (continued)**

### **15 Share based payments**

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

#### **Discretionary schemes**

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

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

##### *Mitie Group plc executive share option scheme (2001 and 2011)*

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

##### *Conditional share plan*

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

#### **Non-discretionary schemes**

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

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

##### *Share incentive plan*

Employees are invited to invest in Partnership shares which are purchased in the market on their behalf and held in a UK employee benefit trust. One Matching share is awarded for every ten Partnership shares purchased. Matching shares may be forfeited if the employee disposes of the Partnership shares within three years of purchase.

	2019	2018
Weighted average share price at date of exercise	N/A	241p
Options outstanding prices	137p to 254p	221p to 316p
Weighted average remaining contractual life	4.23 years	4.10 years

The options outstanding at 31 March 2019 had exercise prices ranging from 137p to 254p (2018: 221p to 316p). During the year, options were granted in August, September and December 2018. In the prior year, options were granted in July, August, October, November 2017 and January 2018.

## **Notes (continued)**

### **16 Capital and reserves**

#### **Share capital authorised and fully paid**

	At start of year	At end of year	2019 £000	2018 £000
<b>Ordinary Shares</b>				
A Ordinary shares at £1 each	382,500	382,500	383	383
B Ordinary shares at £0.01 each	237,527	237,527	2	2
C Ordinary shares at £1 each	1	1	-	-
	<u>620,028</u>	<u>620,028</u>	<u>385</u>	<u>385</u>

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

#### *Share premium account*

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

#### *Profit and loss account*

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

### **17 Operating leases**

Non-cancellable operating lease rentals are payable as follows:

	2019 £000	2018 £000
Less than one year	-	38
Between one and five years	-	51
	<u>-</u>	<u>89</u>

Operating lease commitments have been transferred to another Group company.

### **18 Commitments**

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

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

	2019 £000	2018 £000
Overall commitment	<u>264,051</u>	<u>-</u>



**Notes (continued)**

**19 Related parties**

Under FRS 101 the Company is exempt from disclosing key management personnel compensation and transactions with other companies wholly owned by Mitie Group Plc.

The Company has taken advantage of the exemption under paragraph 8(k) FRS 101 not to disclose transaction with fellow wholly owned subsidiaries.

**20 Subsequent events**

There are no material post balance sheet events that require adjustment or disclosure.

**21 Ultimate parent company and parent company of larger group**

The Company is a subsidiary undertaking of Mitie Limited (formerly Mitie Facilities Services Limited) which is the immediate parent company incorporated in England and Wales. The ultimate controlling party is Mitie Group plc, a company incorporated in Scotland with its registered office at 35 Duchess Road, Rutherglen, Glasgow, G73 1AU. Mitie Group plc is the parent company of the largest and smallest groups into which the accounts of the Company are consolidated. The consolidated financial statements of Mitie Group plc are available to the public and may be obtained from the Company Secretary at Level 12 The Shard, 32 London Bridge Street, London, SE1 9SG, UK or from [www.mitie.com](http://www.mitie.com).