

Company Registration Number:

03528320

Mitie Property Management Limited

Report and Financial Statements

For the year ended 31 March 2014

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Mitie Property Management Limited

03528320

Officers and professional advisers

DIRECTORS

W Robson

J Ridley

R Robinson

S Giacchino

A Lees

R McGregor-Smith

S Baxter

SECRETARY

Mitie Company Secretarial Services Limited

REGISTERED OFFICE

1 Harlequin Office Park

Fieldfare

Emersons Green

Bristol

BS16 7FN

AUDITOR

Deloitte LLP

London

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 management and administration services to certain fellow subsidiary undertakings. There have not been any significant changes in the company's activities in the year under review and the directors are not aware of any likely changes.

The company's profit and loss account reveals an increase in operating income of £600K in the year and the profit after tax has increased by £244K. The increase in profit after tax is due to an increase in operating income in the year.

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 remain consistent with 2014 in the forthcoming year.

Post Balance sheet events

There are no important events affecting the company since the year end.

Approved by the Board and signed on its behalf by:



W Robson
Director
30 June 2014

Directors' report

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

Dividends

Dividends for each share class were declared as follows:

Ordinary: £3,050,072 per share (2013: £1,010,057).

Financial risk management

Financial risk management and future developments have been included in the Strategic report.

Going Concern

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.

Directors

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

W Robson
J Ridley
R Robinson
S Giacchino
A Lees
R McGregor-Smith
S Baxter

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

- so far as he/she 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/she has each taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of such information.

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

Appointment of auditor

Directors' report - (continued)

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.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the 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 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 a Directors' report which complies with the relevant requirements of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

W Robson
Director
30 June 2014



Independent auditors' report to the members of Mitie Property Management Limited

We have audited the financial statements of Mitie Property Management Limited for the year ended 31 March 2014 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 19. 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

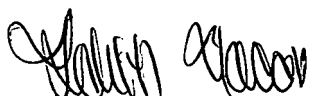
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Mitie Property Management Limited (continued)

Matters on which we are required to report by exception

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

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



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

Mitie Property Management Limited**03528320****Profit and loss account****For the year ended 31 March 2014**

	Note	2014 £'000	2013 £'000
Turnover		-	-
Cost of sales		-	-
		<hr/>	<hr/>
Gross profit		-	-
Other operating income		12,509	11,909
Administration expense		(11,031)	(10,538)
		<hr/>	<hr/>
Operating profit	2	1,478	1,371
		<hr/>	<hr/>
Profit on ordinary activities before interest and taxation		1,478	1,371
Interest receivable and similar income	5	293	157
		<hr/>	<hr/>
Profit on ordinary activities before taxation		1,771	1,528
Tax charge on profit on ordinary activities	6	(438)	(439)
		<hr/>	<hr/>
Profit for the financial year	13	1,333	1,089
		<hr/> <hr/>	<hr/> <hr/>

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

Mitie Property Management Limited**03528320****Balance sheet****As at 31 March 2014**

	Note	2014 £'000	2013 £'000
Fixed assets			
Intangible assets	8	808	1,046
Tangible assets	9	815	916
		<u>1,623</u>	<u>1,962</u>
Current assets			
Debtors	10		
- due within one year		648	1,020
Cash at bank and in hand		2,662	7,400
		<u>3,310</u>	<u>8,420</u>
Creditors: amounts falling due within one year	11	<u>(3,332)</u>	<u>(4,200)</u>
Net current (liabilities)/assets		<u>(22)</u>	<u>4,220</u>
Total assets less current liabilities		<u>1,601</u>	<u>6,182</u>
Net assets		<u><u>1,601</u></u>	<u><u>6,182</u></u>
Share capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	1,601	6,182
		<u>1,601</u>	<u>6,182</u>
Shareholders' funds	14	<u><u>1,601</u></u>	<u><u>6,182</u></u>

The financial statements of Mitie Property Management Limited were approved by the board of directors and authorised for issue on 30 June 2014.

Signed on its behalf by:

W Robson
Director



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.

Other operating income

Other operating income represents management charges receivable from other group companies. Other operating income represents the value of management services provided to the extent that there is a right to consideration and is recorded at the value of the consideration due.

Operating leases

Rentals paid under operating leases are charged against income on a straight-line basis over the lease term.

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.

Notes to the financial statements (continued)

Year ended 31 March 2014

1. Accounting policies (continued)***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.

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.

Intangible assets

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Company is expected to benefit, being between 3 and 10 years. Provision is made for any impairment identified as necessary.

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:

Short Leasehold improvements	-	3-10 years
Office Equipment	-	3-10 years
Motor vehicles	-	4 years

Cash flow statement

The Company has taken the exemption from the requirement to prepare a cash flow statement, as it is included within the consolidated financial statements of Mitie Group plc and greater than 90% of the voting rights of the Company are held by Mitie Group plc.

Notes to the financial statements (continued)

Year ended 31 March 2014

2. Operating profit

	2014 £'000	2013 £'000
Operating Profit is stated after charging/(crediting)		
Depreciation of tangible fixed assets:		
owned	227	1,322
Amortisation of intangible fixed assets	238	239
Redundancy costs	46	144
Profit on disposal of tangible fixed assets	(102)	(158)
Operating lease rentals:		
other	30	30
Fees payable to the Company's auditor for the audit of the Company's financial statements	8	10
	<u> </u>	<u> </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.
Administration	78	96
	<u> </u>	<u> </u>
	78	96
	<u> </u>	<u> </u>

Employment cost

	£'000	£'000
Wages and salaries	4,084	6,144
Social security costs	488	647
Other pension costs	270	345
Share-based payments	96	21
	<u> </u>	<u> </u>
	4,938	7,157
	<u> </u>	<u> </u>

Notes to the financial statements (continued)

Year ended 31 March 2014

4. Directors

	2014 £'000	2013 £'000
The emoluments of the directors of the Company were:		
- Aggregate emoluments	360	497
- Aggregate value of contributions paid to a money purchase pension scheme	13	34
	<u>373</u>	<u>531</u>

	2014 No.	2013 No.
The number of directors who:		
were members of a defined benefit pension scheme	1	1
were members of a defined contribution pension scheme	2	2
exercised share options in the year	-	-
	<u>-</u>	<u>-</u>

	2014 £'000	2013 £'000
Highest paid director:		
- Aggregate emoluments	150	168
- Aggregate value of contributions paid to a money purchase pension scheme	-	21
	<u>150</u>	<u>189</u>

The highest paid director did not exercise share options in the year.

The highest paid director is a member of the Company's defined benefit pension scheme and had accrued entitlements of £37,395 under the scheme at the end of the year. There is no accrued lump sum.

The following directors are also directors or employees of another group company. They are remunerated by the company shown. It is not practicable to allocate their remuneration between their services as directors of this company and as directors or employees of other group companies.

Director	Remunerated by
W Robson	Mitie Group plc
R McGregor-Smith	Mitie Group plc
S Baxter	Mitie Group plc

Notes to the financial statements (continued)

Year ended 31 March 2014

5. Interest

	2014 £'000	2013 £'000
<i>Interest receivable and similar income</i>		
Bank interest	293	157
	<u>293</u>	<u>157</u>

6. Tax on profit on ordinary activities

	£'000	£'000
<i>(a) Analysis of charge in the year</i>		
United Kingdom corporation tax 23% (2013: 24%)	332	509
Adjustment in respect of prior years	(1)	20
	<u>331</u>	<u>529</u>
Total current tax (Note 6(b))		
Deferred taxation:		
Timing differences - origination and reversal	107	(127)
Adjustment in respect of prior years	-	37
	<u>438</u>	<u>439</u>
Tax on profit on ordinary activities		

(b) Factors affecting tax charge in the year

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 on ordinary activities before tax	1,771	1,528
	<u>1,771</u>	<u>1,528</u>
Tax at 23% (2013: 24%) thereon:	407	367
Expenses not deductible for tax purposes	1	2
Differences between capital allowances and depreciation	(70)	140
Relief in respect of employee share options	(28)	(23)
Non-taxable income from shares in group undertakings	-	5
Other timing differences	22	-
Impact of change in tax rate	-	18
Adjustments to tax charge in respect of prior periods	(1)	20
	<u>331</u>	<u>529</u>
Current tax charge for the year (Note 6(a))		

Notes to the financial statements (continued)

Year ended 31 March 2014

6. Tax on profit on ordinary activities (continued)

The UK Government announced a reduction 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 assets 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	287	400
Share-based payment timing difference	3	7
Other timing differences	13	3
	<hr/>	<hr/>
Total deferred tax asset	303	410
	<hr/>	<hr/>
Amount charged/(credited) to the profit and loss account in the year in relation to deferred tax	107	(90)
	<hr/>	<hr/>

7. Dividends

	2014	2013
	£'000	£'000
The dividends approved and paid in the year were:		
Ordinary shares : £3,050,072 per share (2013: £1,010,057)	6,010	2,020
	<hr/>	<hr/>
	6,010	2,020
	<hr/>	<hr/>

Notes to the financial statements (continued)

Year ended 31 March 2014

8. Intangible fixed assets

£'000

Cost

At 1 April 2013

1,285

At 31 March 2014

1,285

Amortisation

At 1 April 2013

239

Charge for the year

238

At 31 March 2014

477

Net book value

At 31 March 2014

808

At 31 March 2013

1,046

Notes to the financial statements (continued)

Year ended 31 March 2014

9. Tangible fixed assets

	Short Leasehold improvements £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At 1 April 2013	48	935	3,399	4,382
Additions	44	206	-	250
Acquisition of businesses	-	-	-	-
Disposals	-	-	(1,774)	(1,774)
Transfers from/(to) group companies	-	-	-	-
At 31 March 2014	92	1,141	1,625	2,858
Depreciation				
At 1 April 2013	33	361	3,072	3,466
Charge for the year	13	171	43	227
Impairment losses	-	-	-	-
Reversal of past impairment losses	-	-	-	-
Disposals	-	-	(1,650)	(1,650)
Transfers in from group companies	-	-	-	-
Transfers out to group companies	-	-	-	-
At 31 March 2014	46	532	1,465	2,043
Net book value				
At 31 March 2014	46	609	160	815
At 31 March 2013	15	574	327	916

Mitie Property Management Limited**03528320****Notes to the financial statements (continued)****Year ended 31 March 2014****10. Debtors**

	2014	2013
	£'000	£'000
<i>Amounts falling due within one year:</i>		
Amounts owed by Group undertakings	36	31
VAT	75	-
Other debtors	46	228
Prepayments and accrued income	188	351
Deferred tax asset	303	410
	<hr/>	<hr/>
	648	1,020
	<hr/>	<hr/>

11. Creditors: amounts falling due within one year

	2014	2013
	£'000	£'000
Trade creditors	177	80
Amounts owed to Group undertakings	2,210	2,211
Corporation tax	381	111
Other taxation and social security	79	1,220
Other creditors	14	18
Accruals and deferred income	471	560
	<hr/>	<hr/>
	3,332	4,200
	<hr/>	<hr/>

12. Called up share capital

	2014	2013
	£'000	£'000
Allotted and called up share capital		
2 £1 Ordinary	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

Notes to the financial statements (continued)

Year ended 31 March 2014

13. Reserves

Profit and loss
account
£'000

At start of year	6,182
Profit for the financial year	1,333
Dividends paid	(6,010)
Capital contribution relating to share-based payments	96
At end of year	1,601

14. Reconciliation of movement in shareholders' funds

	2014 £'000	2013 £'000
Profit for the financial year	1,333	1,089
Dividends paid on equity shares	(6,010)	(2,020)
Capital contribution relating to share-based payments	96	(21)
Net reduction to shareholders' funds	(4,581)	(910)
Opening shareholders' funds	6,182	7,092
Closing shareholders' funds	1,601	6,182

Notes to the financial statements (continued)

Year ended 31 March 2014

15. Financial commitments

Operating leases

The Company has annual lease commitments under non-cancellable operating leases as detailed below:

	2014		2013	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date:				
- in less than one year	-	-	-	-
- between two and five years	30	-	30	-
- after five years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	30	-	30	-
	<hr/>	<hr/>	<hr/>	<hr/>

Capital commitments

The Company did not have any outstanding capital commitments that were not provided for at the year end of the current or prior year.

Commitments on behalf of group undertakings

The Company is party with other group undertakings to cross-guarantees of each other's' bank overdrafts and loans.

	2014 £'000	2013 £'000
Overall commitment	262,834	290,200
	<hr/>	<hr/>

Notes to the financial statements (continued)

Year ended 31 March 2014

16. Share-based payments

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

The Mitie Group Plc 2011 Executive share option scheme

The Executive Share Option Scheme exercise price is equal to the average market value of the shares on the business day preceding grant or, if the Remuneration Committee decided, the average market value of share over a number of preceding business days (not to exceed 20). The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options may be forfeited if the employee leaves the group. Before options can be exercised, a performance condition must be satisfied; the performance condition is linked to the percentage growth in earnings per share over a three-year period.

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.

Notes to the financial statements (continued)

Year ended 31 March 2014

16. Share-based payments (continued)

The Mitie Group Plc Long Term Incentive Plan (LTIP)

The LTIP was introduced in 2007. The awards of shares or rights to acquire shares (the awards) are offered to a small number of key senior management. Where offered as options the exercise price is nil. The vesting period is three years. If the awards remain unexercised after a period of four years from the date of grant, the awards expire. The awards may be forfeited if the employee leaves the group. Before the awards can be exercised, a performance condition must be satisfied; the number of awards that vest is determined by a sliding scale based on growth in earnings per share over a three-year period.

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.

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	550,752	131	512,870	131
Granted	85,924	163	167,018	121
Forfeited	(66,002)	147	(64,287)	219
Transferred (to)/from group companies	(78,536)	131	50,589	13
Exercised	(108,263)	161	(115,438)	188
	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding at end of the year	383,875	148	550,752	131
	<hr/>	<hr/>	<hr/>	<hr/>
Exercisable at end of year	19,817	127	33,600	180
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the financial statements (continued)

Year ended 31 March 2014

16. Share-based payments (continued)

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

	2014 £'000	2013 £'000
Executive share options	20	(6)
Savings related share options	5	4
LTIP	71	23
	<u>96</u>	<u>21</u>

	2014	2013
The weighted average share price at the date of exercise for share options exercised during the year was: (p)	286	272
The options outstanding at the year-end had a weighted average price of: (p)	148	131
The options outstanding at the year-end had a weighted average remaining contractual life of: (years)	5	5

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

	Fair value £'000
LTIP	63
Savings related share options	8
Executive share options	17

Notes to the financial statements (continued)

Year ended 31 March 2014

16. 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
Black-Scholes		
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
Monte-Carlo		
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.

17. Pension arrangements

The Company participates in the Mitie Group Plc Pension Scheme. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the Group. For the purposes of Financial Reporting Standard 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. Note 35 to the Report and Accounts of the Group sets out the details of the International Accounting Standard 19 'Employee Benefits' net pension deficit of £17 million (2013: deficit of £29.7 million).

Employer contributions to the scheme for the period are shown in note 3. The agreed contribution rate for employee and employer contributions for the next 12 months is 18.5% (2013: 18.5%).

Notes to the financial statements (continued)

Year ended 31 March 2014

18. 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.

19. 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.