

Company Registration Number 3944875

MITIE PFI LIMITED

Report and Financial Statements

31 March 2008

WEDNESDAY



ASVTD64D

A23

31/12/2008

221

COMPANIES HOUSE

MITIE PFI LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

CONTENTS

	Page
Officers and professional advisers	1
Directors' report	2
Independent auditors' report	5
Profit and loss account	6
Statement of total recognised gains and losses	6
Balance sheet	7
Notes to the financial statements	8

MITIE PFI LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S C Baxter
A M Lemarie
R McGregor-Smith
J Millican
M Reed
M P Woodhead

SECRETARY

MITIE Company Secretarial Services Limited

REGISTERED OFFICE

8 Monarch Court
The Brooms
Emersons Green
Bristol
BS16 7FH

BANKERS

HSBC Bank plc
49 Corn Street
Bristol
BS99 7PP

AUDITORS

Deloitte LLP
Bristol

MITIE PFI LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 March 2008.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 United Kingdom Accounting Standards have been followed; 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 proper accounting records, which 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company is a wholly owned subsidiary of MITIE Group PLC (the 'Group'). The company provides a facilities management service to public and private sector outsourced projects under 'PFI' initiatives. There have not been any significant changes in the company's principal activities in the year under review and the directors are not aware of any likely major changes.

As shown in the company's profit and loss account on page 6, the company's sales have increased by 25% over the prior year and profit after tax has improved by 143%.

The balance sheet on page 7 of the financial statements shows that the company's financial position at the year end has, in both net assets and cash terms, improved upon the prior year.

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.

DIVIDENDS

A dividend of £3.05 (2007: £0.79) per ordinary share was approved and paid during the year.

MITIE PFI LIMITED

DIRECTORS' REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

Loss of key customers is a key risk to the business. The company manages this risk by developing and maintaining strong relationships with these customers.

Group risks are discussed in the Group's annual report which does not form part of this report.

FINANCIAL RISK MANAGEMENT

The directors have reviewed the financial risk management objectives and policies of the company. The directors do not believe there to be significant risks in this area. The company does not enter into any hedging instruments, as there are not believed to be any material exposures. It does not enter into any financial instruments for speculative purposes.

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

PAYMENT POLICY

The company's policy is to comply with the terms of payment agreed with a supplier. Where terms are not negotiated, the company endeavours to adhere with the supplier's standard terms. As at 31 March 2008 trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 65 days (2007: 82 days).

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 report which does not form part of this report.

EMPLOYEES

The company offers equal opportunities to all applicants for employment whatever their sex, race or religion. Disabled persons are considered for employment, training, career development and promotion on the basis of their aptitudes and abilities in common with all employees, providing the disability does not make the particular employment impractical or the employee unable to conform to the stringent regulations which apply to the operations of the company.

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.

MITIE PFI LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS

The directors during the year and subsequently were as follows:

S C Baxter
C S Hale (resigned 14 January 2008)
A M Lemarie
R McGregor-Smith
J Millican (appointed 30 April 2007)
M Reed
R F Shaw (resigned 31 October 2008)
M P Woodhead

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

On 1 December 2008 Deloitte & Touche LLP changed its name to Deloitte LLP. Pursuant to Section 386 Companies Act 1985, an elective resolution was passed on 14 March 2005 dispensing with the requirement to appoint auditors annually. Therefore, Deloitte & Touche LLP are deemed to continue as auditors.

Approved by the Board of Directors
and signed on behalf of the Board



S C Baxter
Director

16 December 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MITIE PFI LIMITED

We have audited the financial statements of MITIE PFI Limited for the year ended 31 March 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deloitte LLP

DELOITTE LLP

Chartered Accountants and Registered Auditors
Bristol, United Kingdom

16 December 2008

MITIE PFI LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2008

	Note	Continuing operations	
		2008	2007
		£	£
TURNOVER	1	24,141,887	19,319,016
Cost of sales		(20,378,767)	(16,957,594)
GROSS PROFIT		3,763,120	2,361,422
Administrative expenses		(1,946,919)	(1,606,961)
OPERATING PROFIT	2	1,816,201	754,461
Interest receivable and similar income	3	135,159	52,694
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,951,360	807,155
Tax charge on profit on ordinary activities	4	(608,913)	(242,266)
PROFIT FOR THE FINANCIAL YEAR	11	1,342,447	564,889

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 March 2008

	Note	2008	2007
		£	£
Profit for the financial year		1,342,447	564,889
Recognition of defined benefit pension schemes		-	(32,900)
Actuarial gain relating to pension schemes	16	19,700	60,000
UK deferred tax attributable to actuarial gain	16	(5,900)	(18,000)
Total recognised gains and losses in the year		1,356,247	573,989

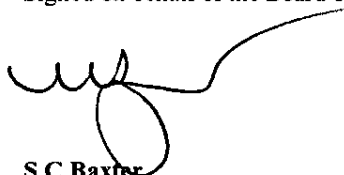
MITIE PFI LIMITED

BALANCE SHEET
At 31 March 2008

	Note	2008		2007	
		£	£	£	£
FIXED ASSETS					
Investments	6		-		17,500
Tangible assets	7		717,786		675,851
			<u>717,786</u>		<u>693,351</u>
CURRENT ASSETS					
Stock		11,386		5,714	
Debtors	8	6,524,920		5,136,196	
Cash at bank and in hand		3,628,250		2,141,957	
		<u>10,164,556</u>		<u>7,283,867</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(9,026,907)		(7,095,849)	
NET CURRENT ASSETS			<u>1,137,649</u>		<u>188,018</u>
NET ASSETS BEFORE PENSION ASSET/(DEFICIT)			1,855,435		881,369
PENSION ASSET/(DEFICIT)	16		<u>1,900</u>		<u>(4,900)</u>
NET ASSETS AFTER PENSION ASSET/(DEFICIT)			<u>1,857,335</u>		<u>876,469</u>
SHARE CAPITAL AND RESERVES					
Called up share capital	10		127,000		127,000
Capital contribution reserve	11		30,474		18,838
Profit and loss account	11		1,699,861		730,631
SHAREHOLDERS' FUNDS	12		<u>1,857,335</u>		<u>876,469</u>

These financial statements were approved by the Board of Directors on 16 December 2008

Signed on behalf of the Board of Directors



S C Baxter
Director

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 March 2008**

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current and the prior financial year are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

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

Turnover from bundled contracts consists of various components which operate independently of each other and for which reliable fair values can be established. Accordingly, each component is accounted for separately as if it were an individual contractual arrangement. Turnover is recognised as goods and services are provided.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Plant and equipment	4 to 10 years
Office equipment	3 to 5 years
Motor vehicles	4 years

Leasing commitments

Assets held under finance leases and hire purchase contracts and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the conception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

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

Tax

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 on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation 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.

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 March 2008**

1. ACCOUNTING POLICIES (continued)

Investments in subsidiaries

Investments are carried at cost less any provision for impairment.

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.

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 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.

For defined benefit schemes which the company participates in under Admitted Body status, the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

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

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 Black-Scholes 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.

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

2. OPERATING PROFIT

	2008	2007
	£	£
Operating profit is stated after charging/(crediting):		
Depreciation:		
- owned fixed assets	223,107	162,830
- leased fixed assets	4,705	3,187
Auditors' remuneration - audit services	6,050	7,790
Profit on disposal of tangible fixed assets	(51,301)	(1,839)
	<u> </u>	<u> </u>

3. INTEREST

	2008	2007
	£	£
Interest receivable and similar income		
Bank interest	107,159	41,694
Net return on pension scheme (see note 16)	28,000	11,000
	<u> </u>	<u> </u>
	<u>135,159</u>	<u>52,694</u>

4. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2008	2007
	£	£
(a) Analysis of charge in year		
United Kingdom corporation tax charge at 30% (2007: 30%)	(618,254)	(251,228)
Adjustment in respect of prior years	5,517	(9,134)
	<u> </u>	<u> </u>
Total current tax (note 4(b))	(612,737)	(260,362)
Deferred taxation:		
Timing differences:		
- origination and reversal	10,298	3,849
- prior years	(5,473)	8,247
- adjustment in respect of defined benefit liability	-	6,000
- decrease in tax rate	(1,001)	-
	<u> </u>	<u> </u>
Tax charge on profit on ordinary activities	(608,913)	(242,266)
	<u> </u>	<u> </u>

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

4. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting tax in year

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 30% (2007: 30%). The differences are as follows:

	2008 £	2007 £
Profit on ordinary activities before tax	<u>1,951,360</u>	<u>807,155</u>
	£	£
Tax at 30% thereon	(585,408)	(242,147)
Expenses not deductible for tax purposes	(20,442)	4,157
Capital allowances (less than)/in excess of depreciation	(6,509)	5,531
Relief in respect of employee share options	(1,226)	-
Other timing differences	(4,669)	(18,769)
Adjustment in respect of prior year	<u>5,517</u>	<u>(9,134)</u>
Current tax charge for the year (note 4(a))	<u>(612,737)</u>	<u>(260,362)</u>

(c) Factors affecting future tax charges

The expected reduction in the corporation tax rate to 28% is not anticipated to materially affect the future tax charge.

5. DIVIDENDS

The dividends approved and paid in the year are as follows:

	2008 £	2007 £
£3.05 (2007: £0.79) per share on £1 ordinary shares	<u>387,017</u>	<u>99,766</u>

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

6. INVESTMENTS

	£	£
Book value at 31 March 2008 and 1 April 2007	-	17,500

The investments held in Kajima Haverstock Holding Limited and Kajima Darlington Schools Holding Limited were sold during the year.

7. TANGIBLE FIXED ASSETS

	Plant and equipment £	Office equipment £	Motor vehicles £	Total £
Cost				
At 1 April 2007	704,914	77,166	282,053	1,064,133
Additions	160,400	60,698	67,002	288,100
Disposals	(37,638)	-	(64,861)	(102,499)
At 31 March 2008	827,676	137,864	284,194	1,249,734
Depreciation				
At 1 April 2007	213,092	44,698	130,492	388,282
Charge for the year	145,286	22,318	60,208	227,812
Disposals	(26,974)	-	(57,172)	(84,146)
At 31 March 2008	331,404	67,016	133,528	531,948
Net book value				
At 31 March 2008	496,272	70,848	150,666	717,786
At 31 March 2007	491,822	32,468	151,561	675,851

The company had no capital commitments as at 31 March 2008 (2007: nil)

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

8. DEBTORS	2008 £	2007 £
Trade debtors	3,367,735	3,004,805
Amounts owed by group undertakings	132,975	39,341
Prepayments and accrued income	3,002,856	2,070,508
Other debtors	21,354	21,542
	<u>6,524,920</u>	<u>5,136,196</u>

A deferred tax asset of £13,931 has been recognised at 31 March 2008 (2007: £10,107). This asset related to depreciation in excess of capital allowances, timing differences relating to share-based payments and other short-term timing differences. The directors are of the opinion that suitable profits will be available in the periods in which these differences will reverse. The amount credited to the profit and loss account in the year was £3,824 (2007: £18,096).

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2008 £	2007 £
Obligations under hire purchase contracts	-	2,344
Trade creditors	1,591,619	2,230,586
Amounts owed to group undertakings	967,994	903,274
Corporation tax	356,454	149,588
Other taxes and social security	1,135,093	399,701
Other creditors	72,696	96,643
Accruals and deferred income	4,903,051	3,313,713
	<u>9,026,907</u>	<u>7,095,849</u>

10. CALLED UP SHARE CAPITAL	2008 £	2007 £
Authorised		
128,000 £1 'A' ordinary shares	128,000	128,000
122,000 £1 'B' ordinary shares	122,000	122,000
	<u>250,000</u>	<u>250,000</u>
	£	£
Allotted and fully paid		
77,000 £1 'A' ordinary shares	77,000	77,000
50,000 £1 'B' ordinary shares	50,000	50,000
	<u>127,000</u>	<u>127,000</u>

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

11. RESERVES

	Capital contribution reserve £	Profit and loss account £
At 1 April 2007	18,838	730,631
Profit for the financial year	-	1,342,447
Dividends	-	(387,017)
Share-based payments (see note 15)	11,636	-
Actuarial gain (net of deferred tax) recognised on the pension schemes (see note 16)	-	13,800
At 31 March 2008	30,474	1,699,861

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £	2007 £
Profit for the financial year	1,342,447	564,889
Dividends (see note 5)	(387,017)	(99,766)
Capital contribution reserve	11,636	18,838
Recognition of defined benefit pension schemes	-	(32,900)
Actuarial gain recognised on the pension schemes (see note 16)	19,700	60,000
Movement on deferred tax relating to pension scheme	(5,900)	(18,000)
Net additions to shareholders' funds	980,866	493,061
Opening shareholders' funds	876,469	383,408
Closing shareholders' funds	1,857,335	876,469

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

13. DIRECTORS

	2008 £	2007 £
The emoluments of directors of the company were:		
Fees and other emoluments (including benefits-in-kind)	747,996	522,950
	£	£
The highest paid director	286,451	184,342

The amount of the accrued pension of the highest paid director at 31 March 2008 was £1,645 (2007: £1,584).

	No.	No.
The number of directors who were members of a defined benefit pension scheme	3	4

S C Baxter, C S Hale and R McGregor-Smith are or were directors of MITIE Group PLC. All disclosures relating to their emoluments, pension details and share options are disclosed in the group accounts. It is not practicable to allocate their remuneration between their services as directors of MITIE PFI Limited and their services as directors of other group companies.

No other directors exercised options in the shares of the ultimate holding company, MITIE Group PLC, during the period (2007: one director) except for those directors who are also directors of MITIE Group PLC.

14. EMPLOYEES

Number of employees

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

	2008 No.	2007 No.
Administration and management	17	17
Site labour	690	263
	707	280
Employment costs	£	£
Wages and salaries	8,091,005	4,770,794
Social security costs	612,787	404,222
Pension costs	165,742	150,141
Share-based payments (see note 15)	11,636	18,838
	8,881,170	5,343,995

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

15. SHARE-BASED PAYMENTS

The company participates in the following MITIE Group PLC share option schemes:

The MITIE Group PLC 2001 Executive share option scheme

The Executive share option scheme is open to qualifying senior employees. The exercise price is equal to the market value of the shares on the date of grant. 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, the performance condition that must be satisfied is that the percentage growth in the earnings per share over a three year period must be equal or greater than 10.0% per annum compound.

The MITIE Group PLC 2001 Savings Related share option scheme

The Savings Related share option 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. The vesting period is five years. If the options remain unexercised after a period of five years and nine months from the date of grant, the options expire. Options may be forfeited if the employee leaves the Group.

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

	2008		2007	
	Number of share options	Weighted average exercise price (in p)	Number of share options	Weighted average exercise price (in p)
Outstanding at beginning of period ⁽¹⁾	137,842	154	101,116	138
Granted during the period	68,568	245	61,206	173
Transfers to Group	(31,050)	157	-	-
Forfeited during the period	(40,537)	151	(17,120)	144
Exercised during the period	(3,400)	99	(7,360)	127
Outstanding at the end of the period	131,423	203	137,842	154
Exercisable at the end of the period	10,000	135	16,900	120

⁽¹⁾ Included within this balance are 5,000 (2007: 18,889) options that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 20. Their exercise prices range from 57p to 174p (2007: 57p to 174p).

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

15. SHARE-BASED PAYMENTS (continued)

The company recognised the following expenses related to share-based payments:

	2008 £	2007 £
2001 Executive share options	6,678	12,238
2001 Saving Related share options	4,958	6,600
	<u>11,636</u>	<u>18,838</u>

The weighted average share price at the date of exercise for share options exercised during the period was 230p (2007: 220p).

The options outstanding at 31 March 2008 had a weighted average exercise price of 203p (2007: 154p) and a weighted average remaining contractual life of 6.83 years (2007: 6.07 years).

In the year ended 31 March 2008, options were granted on July and August in respect of the Executive and Savings Related share option schemes respectively. The aggregate of the estimated fair values of the options granted on those dates is £24,985.

In the year ended 31 March 2007, options were granted on 22 June 2005 and 26 July 2005 in respect of the Executive and Savings Related share option schemes respectively. The aggregate of the estimated fair values of the options granted on those dates is £23,505.

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

	2008	2007
Share price (p)	133 to 230	130 to 193
Exercise price (p)	120 to 254	120 to 191
Expected volatility (%)	27 to 30	28 to 30
Expected life (years)	4 to 5	4 to 6
Risk-free rate (%)	4.17 to 5.25	4.17 to 5.12
Expected dividends (%)	1.43 to 2.29	1.43 to 2.29

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.

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

16. 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 34 to the Report and Accounts of the group sets out the details of the International Accounting Standard 19 'Employee Benefits' net pension surplus of £9.9 million (2007: £0.5 million).

Contributions to the scheme for the period are shown in note 14 and the agreed contribution rate for the next 12 months is 10% (2007: 10%) and 7.5% (2007: 7.5%) for the group and employees respectively.

Other defined benefit schemes

In addition the company makes contributions under Admitted Body status to our customers' defined benefit schemes in respect of certain TUPE employees. These valuations are updated by the actuaries, the related current service cost, and past service cost were measured using the projected unit credit method.

For the Admitted Body Schemes (principally the South Yorkshire Pension Fund, the Royal County of Berkshire Pension Fund, the Tyne & Wear Pension Fund and the Durham County Council Pension Fund), which are all part of the Local Government Pension Schemes, the company will only participate for a finite period up to the end of the contracts. The group is required to pay regular contributions as decided by the relevant Scheme Actuaries and detailed in the schemes' Schedule of Contributions. In a number of cases contributions payable by the employer are capped and any excess recovered from the body that the employees transferred from. In addition, in certain cases, at the end of the contract the company will be required to pay any deficit (as determined by the Scheme Actuary) that is remaining for its notional section of the scheme.

Key assumptions used for FRS 17 valuation:	2008 %	2007 %
Discount rate	6.30	5.30
Expected return on scheme assets:		
Equity instruments	8.00	8.00
Debt instruments	5.00	5.00
Property	7.50	7.50
Other assets	5.25	5.25
Expected rate of salary increases	3.80	3.75
Future pension increases	3.30	3.00

The overall expected return on assets is calculated as the weighted average of the expected return of each asset class. The expected return on equities is the sum of dividend growth and capital growth net of investment expenses. The return on gilts and bonds is the current market yield on long-term bonds. Expected return on property has been set equal to that expected on equities less a margin. The expected return on other assets is the rate earned by the scheme on cash.

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

16. PENSION ARRANGEMENTS (continued)

Amounts recognised in administrative expenses in respect of these defined benefit schemes are as follows:

	2008	2007
	£'000	£'000
Current service cost	(77)	(77)

Amounts recognised in interest in respect of these defined benefit schemes are as follows:

	£'000	£'000
Interest cost	(71)	(57)
Expected return on scheme assets	99	68
	<u>28</u>	<u>11</u>

Amounts recognised in the statement of total recognised gains and losses are as follows:

	£'000	£'000
Actual return on scheme assets	(76)	84
Expected return on scheme assets	(99)	(68)
Experience adjustments arising on plan liabilities	195	44
	<u>20</u>	<u>60</u>

The cumulative amount of actuarial gain recognised since 1 April 2008 in the statement of total recognised gains and losses is £19,700 gross of deferred tax (2007: £60,000).

The amounts included in the balance sheet arising from the group's obligations in respect of its defined benefit retirement benefit schemes are as follows:

	£'000	£'000
Fair value of scheme assets	2,193	1,342
Present value of defined benefit obligations	(2,190)	(1,349)
	<u>3</u>	<u>(7)</u>
Surplus/(deficit) in the scheme	(1)	2
Related deferred tax (liability)/asset		
Net pension surplus/(deficit)	<u>2</u>	<u>(5)</u>

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

16. PENSION ARRANGEMENTS (continued)

	2008 £'000	2007 £'000
Movements in the present value of defined benefit obligations were as follows:		
At 1 April	1,349	-
Service cost	77	77
Interest cost	71	57
Contributions from scheme members	16	13
Actuarial gains and losses	(195)	(44)
Additions in the year	937	-
Benefits paid	(65)	(63)
Contract transfers	-	1,309
At 31 March	2,190	1,349
Movements in the fair value of the scheme assets were as follows:	£'000	£'000
At 1 April	1,342	-
Expected return on scheme assets	99	68
Actuarial gains and losses	(175)	16
Contributions from the sponsoring companies	39	46
Contributions from scheme members	16	13
Additions in the year	937	-
Benefits paid	(65)	(63)
Contract transfers	-	1,262
At 31 March	2,193	1,342
The analysis of the scheme assets at the balance sheet date was as follows:	£'000	£'000
Equity instruments	1,600	1,008
Debt instruments	310	165
Property	199	114
Other assets	84	55
At 31 March	2,193	1,342
	£'000	£'000
Fair value of scheme assets	2,193	1,342
Present value of defined benefit obligations	(2,190)	(1,349)
Surplus/(deficit) in the scheme before deferred taxation	3	(7)

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

16. PENSION ARRANGEMENTS (continued)

History of experience gains and losses	2008	2007
Experience adjustments on scheme liabilities (£000's)	(194)	(40)
Percentage of scheme liabilities	8.86%	3.06%
Experience adjustments on scheme assets (£000's)	175	80
Percentage of scheme assets	7.98%	6.34%

17. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of MITIE Group PLC, MITIE PFI Limited, has taken advantage of the exemption from the requirement to disclose related party transactions with MITIE Group PLC and companies within the group.

18. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The directors regard MITIE Group PLC, a company registered in Scotland, as the company's ultimate parent undertaking and controlling party. The immediate controlling party is MITIE Facilities Services Limited. MITIE Facilities Services Limited is the smallest group and MITIE Group PLC the largest group for which group accounts are prepared. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.