

**Company Registration Number 3944875**

**MITIE PFI LIMITED**

**Report and Financial Statements**

**31 March 2009**

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**MITIE PFI LIMITED****OFFICERS AND PROFESSIONAL ADVISERS****DIRECTORS**

S C Baxter  
R McGregor-Smith  
J Millican  
M Reed  
P W Stirland (appointed 3 July 2009)  
M A Freeman (appointed 3 July 2009)

**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

**DIRECTORS' REPORT**

The directors present their annual report and audited financial statements for the year ended 31 March 2009.

**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 29% over the prior year and profit after tax has improved by 51%.

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 £5.48 (2008: £3.05) per ordinary share was approved and paid during the year.

**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 2009 trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 58 days (2008: 65 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.

**GOING CONCERN**

The company was profitable in the year. The directors have considered forecast profit and associated cash flows against facilities available to the entity and believe that the going concern basis of preparation for the financial statements continues to be appropriate.

**DIRECTORS' REPORT (continued)**

**DIRECTORS**

The directors during the year and subsequently were as follows:

S C Baxter	
A M Lemarie	(resigned 30 March 2009)
R McGregor-Smith	
J Millican	
M Reed	
M P Woodhead	(resigned 31 July 2009)
P W Stirland	(appointed 3 July 2009)
M A Freeman	(appointed 3 July 2009)

**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 LLP are deemed to continue as auditors.

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



**S C Baxter**  
Director

29 October 2009

**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 2009 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 17. 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 judgements 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 2009 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

2 November 2009

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**MITIE PFI LIMITED****PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 2009**

	Note	Continuing operations	
		2009 £	2008 £
<b>TURNOVER</b>	1	31,169,898	24,141,887
Cost of sales		(25,557,180)	(20,378,767)
<b>GROSS PROFIT</b>		5,612,718	3,763,120
Administrative expenses		(2,966,222)	(1,946,919)
<b>OPERATING PROFIT</b>	2	2,646,496	1,816,201
Interest receivable and similar income	3	115,921	135,159
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		2,762,417	1,951,360
Tax charge on profit on ordinary activities	4	(739,740)	(608,913)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	10	2,022,677	1,342,447

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 31 March 2009**

	Note	2009 £	2008 £
Profit for the financial year		2,022,677	1,342,447
Actuarial (loss)/gain relating to pension schemes	15	(175,600)	19,700
UK deferred tax attributable to actuarial gain/(loss)	15	49,280	(5,900)
<b>Total recognised gains and losses in the year</b>		1,896,357	1,356,247



# MITIE PFI LIMITED

## BALANCE SHEET At 31 March 2009

	Note	2009	2008
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	6	856,383	717,786
<b>CURRENT ASSETS</b>			
Stock		11,257	11,386
Debtors	7	7,769,111	6,524,920
Cash at bank and in hand		4,073,575	3,628,250
		<u>11,853,943</u>	<u>10,164,556</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	8	<u>(9,522,668)</u>	<u>(9,026,907)</u>
<b>NET CURRENT ASSETS</b>		<u>2,331,275</u>	<u>1,137,649</u>
<b>NET ASSETS BEFORE PENSION (DEFICIT)/SURPLUS</b>		<u>3,187,658</u>	<u>1,855,435</u>
<b>PENSION (DEFICIT)/SURPLUS</b>	15	<u>(130,420)</u>	<u>1,900</u>
<b>NET ASSETS AFTER PENSION (DEFICIT)/SURPLUS</b>		<u><u>3,057,238</u></u>	<u><u>1,857,335</u></u>
<b>SHARE CAPITAL AND RESERVES</b>			
Called up share capital	9	127,000	127,000
Profit and loss account	10	2,930,238	1,730,335
<b>SHAREHOLDERS' FUNDS</b>	11	<u><u>3,057,238</u></u>	<u><u>1,857,335</u></u>

These financial statements were approved by the Board of Directors on 29 October 2009

Signed on behalf of the Board of Directors



**S C Baxter**  
Director

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2009****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.

**Going concern**

The financial statements have been prepared on the going concern basis as discussed on page 3.

**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.

**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 March 2009****1. ACCOUNTING POLICIES (continued)****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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2009**

**2. OPERATING PROFIT**

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Operating profit is stated after charging/(crediting):		
Depreciation:		
- owned fixed assets	281,290	223,107
- leased fixed assets	18,582	4,705
Auditors' remuneration - audit services	14,409	6,050
Loss/(profit) on disposal of tangible fixed assets	631	(51,301)
	<u>281,290</u>	<u>223,107</u>

**3. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Bank interest	92,921	107,159
Net return on pension scheme (see note 15)	23,000	28,000
	<u>115,921</u>	<u>135,159</u>

**4. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES**

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
<b>(a) Analysis of charge in year</b>		
United Kingdom corporation tax charge at 28% (2008: 30%)	(779,553)	(618,254)
Adjustment in respect of prior years	28,066	5,517
<b>Total current tax (note 4(b))</b>	<u>(751,487)</u>	<u>(612,737)</u>
Deferred taxation:		
Timing differences:		
- origination and reversal	8,111	10,298
- prior years	1,956	(5,473)
- adjustment in respect of defined benefit liability	1,680	-
- decrease in tax rate	-	(1,001)
<b>Tax charge on profit on ordinary activities</b>	<u>(739,740)</u>	<u>(608,913)</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2009**

**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 28% (2008: 30%). The differences are as follows:

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before tax	<u>2,762,417</u>	<u>1,951,360</u>
	<b>£</b>	<b>£</b>
Tax at 28% (2008: 30%)	(773,477)	(585,408)
Expenses not deductible for tax purposes	(721)	(20,442)
Capital allowances less than depreciation	(21,855)	(6,509)
Relief in respect of employee share options	(1,627)	(1,226)
Other timing differences	18,127	(4,669)
Adjustment in respect of prior year	<u>28,066</u>	<u>5,517</u>
<b>Current tax charge for the year (note 4(a))</b>	<u><b>(751,487)</b></u>	<u><b>(612,737)</b></u>

**5. DIVIDENDS**

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

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
£5.48 (2008: £3.05) per share on £1 ordinary shares	<u>696,454</u>	<u>387,017</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2009**

**6. TANGIBLE FIXED ASSETS**

	<b>Plant and equipment £</b>	<b>Office equipment £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 April 2008	827,676	137,864	284,194	1,249,734
Additions	266,650	35,938	138,343	440,931
Disposals	(3,019)	(31,784)	(16,625)	(51,428)
At 31 March 2009	<u>1,091,307</u>	<u>142,018</u>	<u>405,912</u>	<u>1,639,237</u>
<b>Depreciation</b>				
At 1 April 2008	331,404	67,016	133,528	531,948
Charge for the year	182,360	36,926	80,586	299,872
Disposals	(557)	(31,784)	(16,625)	(48,966)
At 31 March 2009	<u>513,207</u>	<u>72,158</u>	<u>197,489</u>	<u>782,854</u>
<b>Net book value</b>				
At 31 March 2009	<u>578,100</u>	<u>69,860</u>	<u>208,423</u>	<u>856,383</u>
At 31 March 2008	<u>496,272</u>	<u>70,848</u>	<u>150,666</u>	<u>717,786</u>

The company had no capital commitments as at 31 March 2009 (2008: nil).

**7. DEBTORS**

	<b>2009 £</b>	<b>2008 £</b>
Trade debtors	4,959,797	3,367,735
Amounts owed by group undertakings	101,049	132,975
Prepayments and accrued income	2,673,937	3,002,856
Other debtors	34,328	21,354
	<u>7,769,111</u>	<u>6,524,920</u>

A deferred tax asset of £25,778 has been recognised at 31 March 2009 (2008: £14,031). 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 £11,747 (2008: £3,824).

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2009 £	2008 £
Trade creditors	2,564,116	1,591,619
Amounts owed to group undertakings	605,702	967,994
Corporation tax	446,472	356,454
Other taxes and social security	936,260	1,135,093
Other creditors	418,733	72,696
Accruals and deferred income	4,551,385	4,903,051
	<u>9,522,668</u>	<u>9,026,907</u>
9. CALLED UP SHARE CAPITAL	2009 £	2008 £
<b>Authorised</b>		
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>
	£	£
<b>Allotted and fully paid</b>		
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>
10. PROFIT AND LOSS ACCOUNT	£	
At 1 April 2008	1,730,335	
Profit for the financial year	2,022,677	
Dividends	(696,454)	
Actuarial loss (net of deferred tax) recognised on the pension schemes (see note 15)	(126,320)	
At 31 March 2009	<u>2,930,238</u>	

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2009**

<b>11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	2,022,677	1,342,447
Dividends (see note 5)	(696,454)	(387,017)
Capital contribution	-	11,636
Actuarial (loss)/gain recognised on the pension schemes (see note 15)	(175,600)	19,700
Movement on deferred tax relating to pension scheme	49,280	(5,900)
Net additions to shareholders' funds	1,199,903	980,866
Opening shareholders' funds	1,857,335	876,469
<b>Closing shareholders' funds</b>	<b>3,057,238</b>	<b>1,857,335</b>

In the prior year the capital contribution from MITIE Group PLC was presented in a separate reserve; in the current year it is presented as part of the profit and loss account reserve.

<b>12. DIRECTORS</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
The emoluments of directors of the company were:		
Fees and other emoluments (including benefits-in-kind)	705,363	747,996
	<b>£</b>	<b>£</b>
The highest paid director	364,089	286,451

The amount of the accrued pension of the highest paid director at 31 March 2009 was £1,715 (2008: £1,645).

	<b>No.</b>	<b>No.</b>
The number of directors who were members of a defined benefit pension scheme	3	3

S C Baxter and R McGregor-Smith are 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 (2008: no director) except for those directors who are also directors of MITIE Group PLC.



**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2009**

**13. EMPLOYEES**

**Number of employees**

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

	<b>2009</b>	<b>2008</b>
	<b>No.</b>	<b>No.</b>
Administration and management	20	17
Site labour	918	690
	<u>938</u>	<u>707</u>
<b>Employment costs</b>	<b>£</b>	<b>£</b>
Wages and salaries	11,312,558	8,091,005
Social security costs	836,727	612,787
Pension costs	261,799	165,742
Share-based payments (see note 14)	12,187	11,636
	<u>12,423,271</u>	<u>8,881,170</u>

**14. 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2009**

**14. SHARE-BASED PAYMENTS (continued)**

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

	<b>2009</b>		<b>2008</b>	
	<b>Number of share options</b>	<b>Weighted average exercise price (in p)</b>	<b>Number of share options</b>	<b>Weighted average exercise price (in p)</b>
Outstanding at beginning of period <sup>(1)</sup>	131,423	203	137,842	154
Granted during the period	95,507	205	68,568	245
Transfers to Group	(41,358)	204	(31,050)	157
Forfeited during the period	(13,229)	204	(40,537)	151
Exercised during the period	(8,404)	147	(3,400)	99
<b>Outstanding at end of the period</b>	<b>163,939</b>	<b>205</b>	<b>131,423</b>	<b>203</b>
<b>Exercisable at end of the period</b>	<b>-</b>	<b>-</b>	<b>10,000</b>	<b>135</b>

<sup>(1)</sup> Included within this balance are nil (2008: 5,000) 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 95p to 174p (2008: 57p to 174p).

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

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
2001 Executive share options	6,087	6,678
2001 Saving Related share options	6,100	4,958
	<b>12,187</b>	<b>11,636</b>

The weighted average share price at the date of exercise for share options exercised during the period was 223p (2008: 230p).

The options outstanding at 31 March 2009 had a weighted average exercise price of 205p (2008: 203p) and a weighted average remaining contractual life of 6.54 years (2008: 6.83 years).

In the year ended 31 March 2009, options were granted on July and September 2008 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 £ 27,542.

In the year ended 31 March 2008, options were granted on July and August 2007 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.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

## 14. SHARE-BASED PAYMENTS (continued)

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

	2009	2008
Share price (p)	133 to 230	133 to 230
Exercise price (p)	120 to 254	120 to 254
Expected volatility (%)	27 to 30	27 to 30
Expected life (years)	3 to 6	4 to 5
Risk-free rate (%)	4.17 to 5.25	4.17 to 5.25
Expected dividends (%)	1.43 to 3.15	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.

## 15. 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 £3.0 million (2008: £9.9 million).

Contributions to the scheme for the period are shown in note 13 and the agreed contribution rate for the next 12 months is 10% (2008: 10%) and 7.5% (2008: 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2009**

**15. PENSION ARRANGEMENTS (continued)**

	<b>2009</b>	<b>2008</b>
	<b>%</b>	<b>%</b>
Key assumptions used for FRS 17 valuation:		
Discount rate	6.60	6.30
Expected return on scheme assets:		
Equity instruments	8.00	8.00
Debt instruments	5.00	5.00
Property	7.50	7.50
Other assets	3.50	5.25
Expected rate of salary increases	3.50	3.80
Future pension increases	3.00	3.30
Inflation	3.00	3.30

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.

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

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	(152)	(77)

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

	<b>£'000</b>	<b>£'000</b>
Interest cost	(184)	(71)
Expected return on scheme assets	207	99
	<u>23</u>	<u>28</u>

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

	<b>£'000</b>	<b>£'000</b>
Actual return on scheme assets	(589)	(76)
Expected return on scheme assets	(207)	(99)
Experience adjustments arising on plan liabilities	620	195
	<u>(176)</u>	<u>20</u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

## 15. PENSION ARRANGEMENTS (continued)

The cumulative amount of actuarial loss recognised since 1 April 2009 in the statement of total recognised gains and losses is £(175,600) gross of deferred tax (2008: £19,700).

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:

	2009 £'000	2008 £'000
Fair value of scheme assets	2,517	2,193
Present value of defined benefit obligations	(2,696)	(2,190)
(Deficit)/surplus in the scheme	(179)	3
Related deferred tax liability	49	(1)
<b>Net pension (deficit)/surplus</b>	<b>(130)</b>	<b>2</b>

Movements in the present value of defined benefit obligations were as follows:

	£'000	£'000
At 1 April	2,190	1,349
Service cost	152	77
Interest cost	184	71
Contributions from scheme members	43	16
Actuarial gains and losses	(1,419)	(195)
Additions in the year	-	937
Benefits paid	(125)	(65)
Contract transfers	1,671	-
<b>At 31 March</b>	<b>2,696</b>	<b>2,190</b>

Movements in the fair value of the scheme assets were as follows:

	£'000	£'000
At 1 April	2,193	1,342
Expected return on scheme assets	207	99
Actuarial gains and losses	(1,733)	(175)
Contributions from the sponsoring companies	123	39
Contributions from scheme members	43	16
Additions in the year	-	937
Benefits paid	(125)	(65)
Contract transfers	1,809	-
<b>At 31 March</b>	<b>2,517</b>	<b>2,193</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2009**

**15. PENSION ARRANGEMENTS (continued)**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
The analysis of the scheme assets at the balance sheet date was as follows:		
Equity instruments	1,775	1,600
Debt instruments	430	310
Property	206	199
Other assets	106	84
<b>At 31 March</b>	<b>2,517</b>	<b>2,193</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of scheme assets	2,517	2,193
Present value of defined benefit obligations	(2,696)	(2,190)
<b>(Deficit)/surplus in the scheme before deferred taxation</b>	<b>(179)</b>	<b>3</b>
<b>History of experience gains and losses</b>		
Experience adjustments on scheme liabilities (£000's)	(481)	(194)
Percentage of scheme liabilities	17.9%	8.86%
Experience adjustments on scheme assets (£000's)	796	175
Percentage of scheme assets	31.6%	7.98%

**16. 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.

**17. 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.