

Company Registration Number 03944875

MITIE PFI LIMITED

Report and Financial Statements

31 March 2010

FRIDAY



A33 *ATCN4MB3* 06/08/2010 494
COMPANIES HOUSE

MITIE PFI LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

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
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
62 George White Street
Cabot Circus
Bristol
BS1 3BA

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 2010

DIRECTORS' RESPONSIBILITIES STATEMENT

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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 40% over the prior year and profit after tax has improved by 26%, resulting from four contracts commencing during the financial year and increased sales on a further four with a first full year of trading in 2009-10.

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 £8.03 (2009: £5.48) 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 2010 trade creditors, as a proportion of amounts invoiced from suppliers for the financial year, represented 55 days (2009: 58 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 made a profit in the year and has long term relationships with a number of customers and suppliers across the UK. As a consequence of this and a review of forecast profit and associated cash flows against facilities available to the entity for the next 18 months, the directors believe that the company is well placed to manage its business risks successfully and have a reasonable expectation that the company will continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

MITIE PFI LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS

The directors during the year and subsequently were as follows

S C Baxter
R McGregor-Smith
J Millican
M Reed
M P Woodhead (resigned 31 July 2009)
P W Stirling (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 s418 of the Companies Act 2006

A resolution to reappoint Deloitte LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting

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



S C Baxter
Director

9 July 2010

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 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, 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 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

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 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 (APB'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.

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 2010 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 matter prescribed by the Companies Act 2006

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

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.

Nigel Thomas

Nigel Thomas (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Bristol, United Kingdom

9 July 2010

MITIE PFI LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2010

	Note	2010 £'000	2009 £'000
TURNOVER	1	43,579	31 170
Cost of sales		(36,644)	(25,557)
GROSS PROFIT		6,935	5,613
Administrative expenses		(3,422)	(2,966)
OPERATING PROFIT	2	3,513	2,647
Interest receivable and similar income	3	29	116
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3 542	2 763
Tax charge on profit on ordinary activities	4	(992)	(740)
PROFIT FOR THE FINANCIAL YEAR	11	2,550	2,023

The results for the period are wholly attributable to the continuing operations of the company

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 March 2010

	Note	2010 £'000	2009 £'000
Profit for the financial year		2 550	2,023
Actuarial loss relating to pension schemes	16	(416)	(176)
UK deferred tax attributable to actuarial gain	16	116	49
Total recognised gains and losses in the year		2,250	1,896

MITIE PFI LIMITED

BALANCE SHEET
At 31 March 2010

	Note	2010 £'000	2009 £'000
FIXED ASSETS			
Tangible assets	6	1,060	856
CURRENT ASSETS			
Stock	7	53	11
Debtors	8	11,003	7,769
Cash at bank and in hand		4,057	4,074
		<u>15,113</u>	<u>11,854</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	<u>(11 475)</u>	<u>(9,523)</u>
NET CURRENT ASSETS		<u>3,638</u>	<u>2,331</u>
NET ASSETS BEFORE PENSION DEFICIT		<u>4,698</u>	<u>3,187</u>
PENSION DEFICIT	16	<u>(395)</u>	<u>(130)</u>
NET ASSETS AFTER PENSION DEFICIT		<u>4,303</u>	<u>3,057</u>
SHARE CAPITAL AND RESERVES			
Called up share capital	10	127	127
Profit and loss account	11	4,176	2,930
SHAREHOLDERS' FUNDS	12	<u>4 303</u>	<u>3,057</u>

The financial statements of MITIE PFI Limited, company registration number 03944875 were approved by the board on 9 July 2010



S C Baxter
Director

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 March 2010**

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2010

1 ACCOUNTING POLICIES (continued)

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. 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.

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.

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

1 ACCOUNTING POLICIES (continued)

Share-based payments

The company participates in a number of MITIE Group PLC executive and employee share option schemes. For all grants of share options, the fair value as at the date of grant is calculated using the 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.

2. OPERATING PROFIT

	2010 £'000	2009 £'000
Operating profit is stated after charging		
Depreciation		
- owned fixed assets	319	281
- leased fixed assets	33	19
Auditors' remuneration - audit services	-	14
Loss on disposal of tangible fixed assets	-	1
	<u> </u>	<u> </u>

Auditor fees of £9,000 were paid by MITIE Facilities Services Limited and not recharged

3 INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 £'000	2009 £'000
Bank interest	22	93
Net return on pension scheme (see note 16)	7	23
	<u> </u>	<u> </u>
	29	116

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

4. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2010 £'000	2009 £'000
(a) Analysis of charge in year		
United Kingdom corporation tax charge at 28% (2009 28%)	(958)	(780)
Adjustment in respect of prior years	(40)	28
Total current tax (note 4(b))	(998)	(752)
Deferred taxation		
Timing differences		
- origination and reversal	(19)	8
- prior years	37	2
- adjustment in respect of defined benefit liability	(12)	2
Tax charge on profit on ordinary activities	(992)	(740)

(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% (2009 28%) The differences are as follows

	£'000	£'000
Profit on ordinary activities before tax	3,542	2,763
	£'000	£'000
Tax at 28% (2009 28%)	(992)	(774)
Expenses not deductible for tax purposes	(4)	(1)
Differences between capital allowances and depreciation	3	(22)
Relief in respect of employee share options	(4)	(1)
Other timing differences	39	18
Adjustment in respect of prior year	(40)	28
Current tax charge for the year (note 4(a))	(998)	(752)

(c) Factors affecting future tax charges

The company is not aware of any factors that will materially affect the future tax charge apart from the proposed, phased reduction in corporation tax rates to 24% by 2015 which has not yet been enacted

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

5 DIVIDENDS

The dividends approved and paid in the year are as follows	2010 £'000	2009 £'000
£8 03 (2009 £5 48) per share on £1 ordinary shares	1,020	696

6. TANGIBLE FIXED ASSETS

	Plant and equipment £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 April 2009	1,091	142	406	1,639
Additions	381	43	186	610
Disposals	-	(90)	(65)	(155)
At 31 March 2010	1,472	95	527	2,094
Depreciation				
At 1 April 2009	513	72	198	783
Charge for the year	235	30	87	352
Disposals	-	(55)	(46)	(101)
At 31 March 2010	748	47	239	1,034
Net book value				
At 31 March 2010	724	48	288	1,060
At 31 March 2009	578	70	208	856

The net book value of fixed assets held under finance lease total £103,000 (2009 £80,000)

The company had no capital commitments as at 31 March 2010 (2009 £nil)

7. STOCKS

	2010 £'000	2009 £'000
Stock	53	11

Stock relates to consumable goods that are held at schools and used as part of the contract

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2010

8. DEBTORS	2010 £'000	2009 £'000
Trade debtors	6,105	4,960
Amounts owed by group undertakings	57	101
Prepayments and accrued income	3,966	2,674
Other debtors	831	8
Deferred tax asset	44	26
	<u>11,003</u>	<u>7,769</u>

A deferred tax asset of £44,000 has been recognised at 31 March 2010 (2009 £26,000). 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 £6,000 (2009 £12,000).

Movement on deferred tax balances in the period	£'000	£'000
Opening deferred tax asset	75	14
Credit to the profit and loss	6	12
Credit to the statement of recognised gains and losses	116	49
	<u>197</u>	<u>75</u>

Analysis of deferred tax asset	£'000	£'000
Capital allowances for the period in excess of depreciation	17	11
Short-term timing differences	19	12
Share-based payments	8	3
	<u>44</u>	<u>26</u>
Deferred tax asset in respect of defined benefit pension scheme deficit	153	49
	<u>197</u>	<u>75</u>

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2010

9.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2010	2009
		£'000	£'000
	Trade creditors	3,053	2,564
	Amounts owed to group undertakings	2,161	606
	Corporation tax	592	447
	Other taxes and social security	711	936
	Other creditors	129	419
	Accruals and deferred income	4,829	4,551
		<u>11,475</u>	<u>9,523</u>
10.	CALLED UP SHARE CAPITAL	2010	2009
		£'000	£'000
	Allotted, called up and fully paid		
	77,000 £1 'A' ordinary shares	77	77
	50,000 £1 'B' ordinary shares	50	50
		<u>127</u>	<u>127</u>
11	PROFIT AND LOSS ACCOUNT	£'000	
	At 1 April 2009	2,930	
	Profit for the financial year	2,550	
	Dividends	(1,020)	
	Actuarial loss (net of deferred tax) recognised on the pension schemes (see note 15)	(300)	
	Capital Contribution	16	
	At 31 March 2010	<u><u>4,176</u></u>	

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2010 £'000	2009 £'000
Profit for the financial year	2,550	2 023
Dividends (see note 5)	(1,020)	(696)
Capital contribution	16	-
Actuarial loss recognised on the pension schemes (see note 15)	(416)	(176)
Movement on deferred tax relating to pension scheme	116	49
Net additions to shareholders' funds	1,246	1 200
Opening shareholders' funds	3,057	1,857
Closing shareholders' funds	4,303	3,057

13. DIRECTORS	2010 £'000	2009 £'000
The emoluments of directors of the company were		
Fees and other emoluments (including benefits-in-kind)	476	705
	£'000	£'000
The highest paid director	166	364

The amount of the accrued pension of the highest paid director at 31 March 2010 was £nil (2009 £2,000)

	No.	No.
The number of directors who were members of a defined benefit pension scheme	1	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.

One other director exercised options in the shares of the ultimate holding company, MITIE Group PLC, during the period (2009 no director) except for those directors who are also directors of MITIE Group PLC.

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

14. EMPLOYEES

Number of employees

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

	2010 No	2009 No.
Administration and management	4	20
Site labour	1,246	918
	<u>1,250</u>	<u>938</u>
Employment costs	£'000	£'000
Wages and salaries	12,551	11,312
Social security costs	832	837
Pension costs	446	262
Share-based payments (see note 15)	16	12
	<u>13,845</u>	<u>12,423</u>

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.

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2010

15. SHARE BASED PAYMENTS (continued)

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

	2010		2009	
	Number of share options	Weighted average exercise price (in p)	Number of share options	Weighted average exercise price (in p)
Outstanding at beginning of the period ⁽¹⁾	163,939	205	131,423	203
Granted during the period	27,059	194	95,507	205
Transfers to Group	-	-	(41,358)	204
Forfeited during the period	(36,384)	205	(13,229)	204
Exercised during the period	(2,725)	120	(8,404)	147
Outstanding at end of the period	151,889	205	163,939	205
Exercisable at end of the period	-	-	-	-

⁽¹⁾ Included within this balance are nil (2009 nil) 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 117p to 174p (2009 95p to 174p)

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

	2010 £'000	2009 £'000
2001 Executive share options	9	6
2001 Savings Related share options	7	6
	16	12

The weighted average share price at the date of exercise for share options exercised during the period was 231p (2009 223p)

The options outstanding at 31 March 2010 had a weighted average exercise price of 205p (2009 205p) and a weighted average remaining contractual life of 5.35 years (2009 6.54 years)

In the year ended 31 March 2010, options were granted in July and August 2009 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 £10,202

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2010

15. SHARE BASED PAYMENTS (continued)

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.

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

	2010	2009
Share price (p)	133 to 230	133 to 230
Exercise price (p)	120 to 254	120 to 254
Expected volatility (%)	27 to 36	27 to 30
Expected life (years)	3 to 6	3 to 6
Risk-free rate (%)	2.42 to 5.25	4.17 to 5.25
Expected dividends (%)	1.43 to 3.30	1.43 to 3.15

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.

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 33 to the Report and Accounts of MITIE Group plc sets out the details of the International Accounting Standard 19 'Employee Benefits' pension deficit of £6.8 million (2009 surplus of £3.0 million).

Employer contributions to the scheme for the period are shown in note 13. The combined contribution rate for employee and employer contributions for the next 12 months is 17.5% (2009 17.5%).

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.

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2010

16. PENSION ARRANGEMENTS (continued)

	2010	2009
	%	%
Key assumptions used for FRS 17 valuation		
Discount rate	5.60	6.60
Expected return on scheme assets		
Equity instruments	8.00	8.00
Debt instruments	5.00	5.00
Property	7.50	7.50
Other assets	4.50	3.50
Expected rate of salary increases	4.00	3.50
Future pension increases	3.50	3.00
Inflation	3.50	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.

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

	£'000	£'000
Current service cost	(148)	(152)

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

	£'000	£'000
Interest cost	(186)	(184)
Expected return on scheme assets	193	207
	<u>7</u>	<u>23</u>

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

	£'000	£'000
Actual return on scheme assets	1,155	(589)
Expected return on scheme assets	(193)	(207)
Experience adjustments arising on plan liabilities	(1,378)	620
	<u>(416)</u>	<u>(176)</u>

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

16. PENSION ARRANGEMENTS (continued)

The cumulative amount of actuarial loss recognised since 1 April 2006 in the statement of total recognised gains and losses is £512,000 gross of deferred tax (2009 £96 000)

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

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Fair value of scheme assets	3,820	2,517	2,193	1,342	-
Present value of defined benefit obligations	(4 368)	(2 696)	(2,190)	(1,349)	-
Deficit in the scheme	(548)	(179)	3	(7)	-
Related deferred tax asset	153	49	(1)	2	-
Net pension deficit	(395)	(130)	2	(5)	-

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

	2010 £'000	2009 £'000
At 1 April	2,696	2 190
Service cost	148	152
Interest cost	186	184
Contributions from scheme members	59	43
Actuarial gains and losses	1,359	(1,419)
Benefits paid	(99)	(125)
Contract transfers	-	1,671
Past service cost	19	-
At 31 March	4 368	2,696

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

	£'000	£'000
At 1 April	2,517	2,193
Expected return on scheme assets	193	207
Actuarial gains and losses	962	(1,733)
Contributions from the sponsoring companies	188	123
Contributions from scheme members	59	43
Benefits paid	(99)	(125)
Contract transfers	-	1,809
At 31 March	3,820	2,517

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

16. PENSION ARRANGEMENTS (continued)

	2010 £'000	2009 £'000
The analysis of the scheme assets at the balance sheet date was as follows		
Equity instruments	2,819	1,775
Debt instruments	573	430
Property	299	206
Other assets	129	106
At 31 March	3,820	2,517
	£'000	£'000
Fair value of scheme assets	3,820	2,517
Present value of defined benefit obligations	(4,368)	(2,696)
Deficit in the scheme before deferred taxation	(548)	(179)

History of experience gains and losses

	2010	2009	2008	2007	2006
Experience adjustments on scheme liabilities (£000's)	418	(481)	(194)	(40)	-
Percentage of scheme liabilities	201.6%	17.9%	8.9%	3.1%	-
Experience adjustments on scheme assets (£000's)	963	796	175	80	-
Percentage of scheme assets	265.9%	31.6%	8.0%	6.3%	-

17. RELATED PARTY TRANSACTIONS

MITIE PFI Limited is a wholly owned subsidiary of MITIE Group PLC, however, the company entered into transactions with entities that are not 100% owned by MITIE Group PLC which require disclosure under FRS 8

Related party	Amount of revenue/(cost)		Year end debtor/(creditor)	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade related services received				
MITIE Cleaning & Environmental Services Limited	(421)	-	(125)	-
MITIE Security Systems Limited	(224)	(30)	(38)	(10)
MITIE Security London Limited	(4)	-	-	-
MITIE Security Limited	(132)	(1)	(35)	(8)
MITIE Security South West Limited	(8)	-	-	-
MITIE Engineering Maintenance (North) Limited	(224)	(118)	(35)	(70)
MITIE Engineering Maintenance (Caledonia) Limited	(451)	(163)	(85)	(83)
MITIE Engineering Services (Midlands) Limited	(2)	-	-	-
MPS (UK) Limited	(184)	(3)	-	-

MITIE PFI LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

17 RELATED PARTY TRANSACTIONS (continued)

Related party	Amount of revenue/(cost)		Year end debtor/(creditor)	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Intercompany recharges				
MITIE Cleaning & Environmental Services Limited	6	4	-	-
MITIE Security Systems Limited	6	6	-	1
MITIE Engineering Maintenance (Caledonia) Limited	-	33	33	33

There were no transactions with entities other than members of MITIE Group PLC which require disclosure under FRS 8

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.

19 COMMITMENTS

The company is party with other group undertakings to cross-guarantees of each other's bank overdrafts and loans. As at 31 March 2010, the overall commitment was £109 million (2009: £10 million).