

Company Registration Number: 03944875

MITIE PFI Limited

Report and Financial Statements

For the year ended 31 March 2014

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Officers and professional advisors

DIRECTORS

M A Freeman
J S Sheridan
A J Saunders
R I Cattell
R McGregor-Smith
S C Baxter

SECRETARY

Mitie Company Secretarial Services Limited

REGISTERED OFFICE

1 Harlequin Office Park
Fieldfare
Emersons Green
Bristol
BS16 7FN

AUDITOR

Deloitte LLP
London

Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activities 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 Private Finance 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 8, the company's turnover has increased by 2% over the past year, and the profit after tax has fallen by 12% due to one off efficiency benefits in 2013 not being repeated.

Key performance indicators

The Group manages its operations on a divisional basis. For this reason, the Company's directors do not believe further key performance indicators are necessary for an appropriate understanding of the performance and position of the business. The performance of the Group's divisions is discussed in the Group's annual report which does not form part of this report.

Principal risks and uncertainties

The Company is part of the Mitie Group and manages its risks within the Mitie Group Risk Framework. Details of the principal risks and uncertainties are given in the Mitie Group plc annual report. The directors have reviewed the financial risk management objectives and policies of the Company in the light of the Group Risk Framework. The directors do not believe there to be any other significant risks.

Financial risk management

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

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

Future Developments

The directors expect the general level of activity to remain consistent with 2014 in the forthcoming year. This is as a result of the long term stable and recurring nature of the company's PFI contracts.

Post balance sheet events

There have been no significant acts since the balance sheet date.

Approved by the Board and signed on its behalf by:



M A Freeman
Director
27 June 2014

Directors' report

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

Dividends

Dividends for each share class were declared as follows:

A Ordinary shares: £161.58 per share (2013: £123.21).

B Ordinary shares: £0.08 per share (2013: £0.08).

Going Concern

The directors have considered the forecast results and associated cash flows for the foreseeable future, being the period not less than 12 months from the date of signing of these financial statements. The directors have considered the facilities available to the Company and believe that they can operate within the facilities available for the period of the cash flow forecast. Accordingly, the directors consider it appropriate to adopt the going concern basis in the preparation of the Company's financial statements.

Payment of creditors

The Company manages its procurement and supply chain with increasing consideration of its impact on the Company's profitability, reputation and sustainability objectives and is committed to proactively developing mutually beneficial and sustainable trading relationships with all of our stakeholders, based on a foundation of trust and co-operation.

Environment

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

Employees

The Company recognises the importance of good communications and employee relationships. In each company there is a relationship between the Chief Executive of Mitie Group plc and individual employees in the company. In these conditions, complex consultative procedures are seldom required to ensure that there is an understanding of the purpose of the business and the commercial realities of success. Employees are encouraged to become shareholders through the Savings Related Share Option Scheme.

Employee diversity and inclusion

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

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

Directors' report (continued)**Directors**

The directors who served throughout the year are shown on page 3. There have been no changes since the year end date.

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

- so far as he/she is aware, there is no relevant audit information (being information required by the auditor in the preparation of their report) of which the Company's auditor is unaware; and
- he/she has each taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of such information.

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

Appointment of auditor

Deloitte LLP has indicated its willingness to be reappointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditor in the absence of an Annual General Meeting.

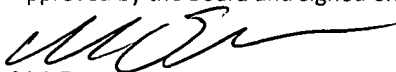
Directors' responsibilities statement

The directors are responsible for preparing the Report and Financial Statements. The directors have elected to prepare financial statements in accordance with UK GAAP. The directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company, safeguarding the assets, taking reasonable steps for the prevention and detection of fraud and other irregularities, and the preparation of a Directors' report which complies with the relevant requirements of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



M A Freeman

Director

27 June 2014

Independent auditor's report to the members of MITIE PFI Limited

We have audited the financial statements of MITIE PFI Limited for the year ended 31 March 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

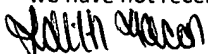
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and 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.



Judith Tacon (Senior Statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

27 June 2014

Profit and loss account**For the year ended 31 March 2014**

	Note	2014 £'000	2013 £'000
Turnover	1	63,203	62,092
Cost of sales		(46,803)	(43,173)
		<hr/>	<hr/>
Gross profit		16,400	18,919
Administration expense		(3,295)	(3,695)
		<hr/>	<hr/>
Operating profit	2	13,105	15,224
		<hr/>	<hr/>
Profit on ordinary activities before interest and taxation		13,105	15,224
Interest receivable and similar income	5	664	612
		<hr/>	<hr/>
Profit on ordinary activities before taxation		13,769	15,836
Tax charge on profit on ordinary activities	6	(3,160)	(3,789)
		<hr/>	<hr/>
Profit for the financial year	13	10,609	12,047
		<hr/>	<hr/>

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 2014

	Note	2014 £'000	2013 £'000
Profit for the financial year		10,609	12,047
Actuarial gains/(losses) on defined benefit pension schemes	18	197	(291)
Deferred tax attributable to actuarial gains		(46)	69
Total recognised gains relating to the year		<u>10,760</u>	<u>11,825</u>

Balance Sheet**As at 31 March 2014**

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	8	226	377
		<u>226</u>	<u>377</u>
Current assets			
Stocks	9	63	42
Debtors	10		
- due within one year		14,375	12,707
Cash at bank and in hand		11,661	14,281
		<u>26,099</u>	<u>27,030</u>
Creditors: amounts falling due within one year	11	(15,259)	(14,319)
		<u>10,840</u>	<u>12,711</u>
Net current assets			
		<u>11,066</u>	<u>13,088</u>
Total assets less current liabilities			
		<u>11,066</u>	<u>13,088</u>
Net assets excluding pension liability			
Pension liability	18	(54)	(411)
		<u>11,012</u>	<u>12,677</u>
Net assets			
		<u>11,012</u>	<u>12,677</u>
Share capital and reserves			
Called up share capital	12	127	127
Profit and loss account	13	10,885	12,550
		<u>11,012</u>	<u>12,677</u>
Shareholders' funds	14	<u>11,012</u>	<u>12,677</u>

The financial statements of Mitie PFI Limited were approved by the board of directors and authorised for issue on 27 June 2014.
Signed on its behalf by:



M A Freeman
Director

Notes to the financial statements**Year ended 31 March 2014****1. Accounting policies**

The financial statements of the Company have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

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

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

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 is recognised as services are delivered.

Operating leases

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

Pension costs

The Company participates in the Mitie Group plc Pension Schemes. One is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the group. For the purposes of FRS 17 ('Retirement Benefits'), the Company has been unable to identify its share of the underlying assets and liabilities in the main group scheme on a consistent and reasonable basis. Therefore the Company is accounting for contributions to the scheme as if it were a defined contribution scheme.

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

Where the Company can separately identify its share of the underlying assets and liabilities of any defined benefit schemes to which it contributes, the Company accounts for these schemes as required by FRS 17 with the cost of providing benefits determined using the Projected Unit Credit Method, based on actuarial valuations carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the profit and loss account and presented in the statement of total recognised gains and losses. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan. Where the scheme is fully funded no asset or liability is recognised in the balance sheet.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based upon tax rates and legislation that have been enacted or substantively enacted at the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Notes to the financial statements**Year ended 31 March 2014****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 appropriate valuation model and the corresponding expense is recognised on a straight-line basis over the vesting period based on the Company's estimate of shares that will actually vest. Further details of the Group's share option schemes are contained in the Mitie Group plc annual report.

Tangible fixed assets and depreciation

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

Plant and office equipment	up to 5 years
Motor vehicles	up to 4 Years

Finance leases

Assets held under hire purchase arrangements, which confer rights and obligations similar to those attached to current assets are capitalised as tangible fixed assets and depreciated over the shorter of the lease terms and useful lives. The capital elements of future hire purchase obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the lease to provide a constant rate of charge on the balance of capital repayments outstanding.

Stock

Stock and work in progress are valued at the lower of cost or net realisable value.

Cost represents materials, direct labour and overheads incurred in bringing the inventories to their present condition and location. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and estimated selling costs. Provision is made for obsolete, slow moving or defective items where appropriate.

Long-term contracts

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts receivable as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long term contract balances in stock.

Profit is recognised on long term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of the total contract value which costs incurred to date bear to total expected costs for that contract.

Cash flow statement

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

Notes to the financial statements**Year ended 31 March 2014****2. Operating profit**

	2014	2013
	£'000	£'000
Operating Profit is stated after charging/(crediting)		
Depreciation of tangible fixed assets:		
owned	152	286
held under finance leases and hire purchase contracts	-	12
Profit/(loss) on disposal of tangible fixed assets	14	(6)
Operating lease rentals:		
other	285	188
Fees payable to the Company's auditor for the audit of the Company's annual accounts	16	-
	<u> </u>	<u> </u>

Audit fees of £Nil (2013: £9,000) were borne by Mitie Facilities Services Limited and not recharged.

The Company has taken the exemption available to it not to disclose separately information about fees for non-audit services provided to the Company as this information is available in the consolidated financial statements of Mitie Group plc.

Notes to the financial statements**Year ended 31 March 2014****3. Employees**

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

	2014	2013
	No.	No.
Operations	1,511	1,567
Administration	47	47
	<u>1,558</u>	<u>1,614</u>

Employment cost

	£'000	£'000
Wages and salaries	18,341	17,827
Social security costs	1,169	1,137
Redundancy costs	14	24
Other pension costs	585	519
Share-based payments	21	(6)
	<u>20,130</u>	<u>19,501</u>

Notes to the financial statements**Year ended 31 March 2014****4. Directors**

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

Director	Remunerated by
J S Sheridan	MITIE Facilities Services Limited
A J Saunders	MITIE Managed Services Limited
R I Cattell	MITIE Facilities Services Limited
M A Freeman	MITIE Facilities Services Limited
R McGregor-Smith	MITIE Group PLC
S C Baxter	MITIE Group PLC

5. Interest

	2014	2013
	£'000	£'000
<i>Interest receivable and similar income</i>		
Bank interest	563	537
Net pension scheme interest income	101	75
	<hr/>	<hr/>
	664	612
	<hr/>	<hr/>

Notes to the financial statements**Year ended 31 March 2014****6. Tax on profit on ordinary activities**

	2014 £'000	2013 £'000
(a) Analysis of charge in the year		
United Kingdom corporation tax 23% (2013: 24%)	3,141	3,785
Adjustment in respect of prior years	(16)	(38)
	<hr/>	<hr/>
Total current tax (Note 7(b))	3,125	3,747
Deferred taxation:		
Timing differences - origination and reversal	20	15
Decrease in tax rate	-	7
Adjustment in respect of prior years	15	20
	<hr/>	<hr/>
Tax on profit on ordinary activities	<u>3,160</u>	<u>3,789</u>
(b) Factors affecting tax charge in the year		
The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 23% (2013: 24%). The differences are as follows:		
Profit on ordinary activities before tax	<u>13,769</u>	<u>15,836</u>
Tax at 23% (2013: 24%) thereon:	3,167	3,801
Differences between capital allowances and depreciation	13	40
Relief in respect of employee share options	(8)	(7)
Other timing differences	(31)	(49)
Adjustments to tax charge in respect of prior periods	(16)	(38)
	<hr/>	<hr/>
Current tax charge for the year (Note 6(a))	<u>3,125</u>	<u>3,747</u>

Notes to the financial statements**Year ended 31 March 2014****6. Tax on profit on ordinary activities**

The UK Government announced reductions in the UK corporation tax rate from 23% to 21% from 1 April 2014 and from 21% to 20% from 1 April 2015, which were substantively enacted on 2 July 2013. The reduction in the balance sheet carrying value of deferred tax assets and liabilities to reflect the rate of tax at which those differences are expected to reverse has not had a material impact on the current year tax charge.

The deferred tax balance comprises the following:

Depreciation in excess of capital allowances	40	51
Share-based payment timing difference	22	10
Other timing differences	22	104
	<hr/>	<hr/>
Total deferred tax asset	84	165
	<hr/>	<hr/>
Amount charged to the profit and loss account in the year in relation to deferred tax	35	42
	<hr/>	<hr/>

7. Dividends

	2014	2013
	£'000	£'000
The dividends approved and paid in the year were:		
A Ordinary shares	12,442	9,487
B Ordinary shares	4	4
	<hr/>	<hr/>
	12,446	9,491
	<hr/>	<hr/>

Notes to the financial statements

Year ended 31 March 2014

8. Tangible fixed assets

	Plant and office equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation			
At 1 April 2013	1,805	232	2,037
Additions	38	10	48
Disposals	-	(173)	(173)
At 31 March 2014	1,843	69	1,912
Depreciation			
At 1 April 2013	1,496	164	1,660
Charge for the year	140	12	152
Disposals	-	(126)	(126)
At 31 March 2014	1,636	50	1,686
Net book value			
At 31 March 2014	207	19	226
At 31 March 2013	309	68	377

Notes to the financial statements**Year ended 31 March 2014****9. Stocks**

	2014	2013
	£'000	£'000
Finished goods	63	42
	<u>63</u>	<u>42</u>

There is no material difference between the balance sheet value of stocks and their replacement costs.

10. Debtors

	2014	2013
	£'000	£'000
<i>Amounts falling due within one year:</i>		
Trade debtors	4,192	4,196
Amounts recoverable on contracts	668	740
Amounts owed by Group undertakings	-	4
Other debtors	838	290
Prepayments and accrued income	8,593	7,312
Corporation tax	-	-
Deferred tax asset	84	165
	<u>14,375</u>	<u>12,707</u>

The prior year comparatives reflect reclassifications between categories of debtors to ensure consistency across all Mitie group entities.

Notes to the financial statements**Year ended 31 March 2014****11. Creditors: amounts falling due within one year**

	2014	2013
	£'000	£'000
Trade creditors	4,114	4,735
Amounts owed to Group undertakings	668	690
Corporation tax	2,084	1,868
Other taxation and social security	1,750	2,042
Other creditors	88	87
Accruals and deferred income	6,555	4,897
	<u>15,259</u>	<u>14,319</u>

12. Called up share capital

	2014	2013
	£'000	£'000
Allotted and called up share capital		
77,000 £1 A Ordinary Shares	77	77
50,000 £1 B Ordinary Shares	50	50
	<u>127</u>	<u>127</u>

Notes to the financial statements**Year ended 31 March 2014****13. Reserves**

	Profit and loss account £'000
At start of year	12,550
Profit for the financial year	10,609
Dividends paid	(12,446)
Net actuarial gain on pension scheme	151
Capital contribution relating to share-based payments	21
	<hr/>
At end of year	10,885
	<hr/> <hr/>

14. Reconciliation of movement in shareholders' funds

	2014 £'000	2013 £'000
Profit for the financial year	10,609	12,047
Dividends paid on equity shares	(12,446)	(9,491)
Net actuarial gain on pension scheme	151	(222)
Capital contribution relating to share-based payments	21	(6)
	<hr/>	<hr/>
Net addition to shareholders' (deficit)/funds	(1,665)	2,328
Opening shareholders' funds	12,677	10,349
	<hr/>	<hr/>
Closing shareholders' funds	11,012	12,677
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements**Year ended 31 March 2014****15. Financial commitments*****Operating leases***

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

	2014	2013
	Other £'000	Other £'000
Expiry date:		
- in less than one year	77	-
- between two and five years	191	236
- after five years	-	-
	<u>268</u>	<u>236</u>

Capital commitments

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

Performance bonds

The Company has outstanding performance bonds as follows:

	2014 £'000	2013 £'000
Performance bonds	<u>361</u>	<u>307</u>

Commitments on behalf of group undertakings

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

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

Notes to the financial statements**Year ended 31 March 2014****16. Share-based payments**

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

The Mitie Group Plc 2011 Executive share option scheme

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

The Mitie Group Plc 2001 Savings Related share option scheme

The SAYE scheme is open to all employees. The exercise price is not less than 80.0% of the market value of the shares on the day preceding the date on which invitations to participate in the scheme are issued. For options granted prior to September 2008, the vesting period is five years. For options granted in September 2008 and thereafter, the vesting period is three years. If the options remain unexercised after a period of six months from the date of vesting, the options expire. Options may be forfeited if the employee leaves the group.

The Mitie Group Plc 2011 SAYE Scheme

The SAYE scheme is open to all employees. The exercise price is not less than 80.0% of the market value of the shares determined using either: the share price preceding the date on which invitations to participate in the scheme are issued; or an average share price over five days preceding the invitation date. The vesting period is three years. If the options remain unexercised after a period of six months from the date of vesting, the options expire. Options may be forfeited if the employee leaves the group.

Notes to the financial statements

Year ended 31 March 2014

16. Share-based payments (continued)

The Mitie Group Plc Long Term Incentive Plan (LTIP)

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

The Share Incentive Plan (SIP)

The SIP was introduced in 2011 and is a non-discretionary scheme open to all eligible UK resident employees. Under the scheme, eligible employees are invited to invest in Partnership Shares which are purchased in the market on their behalf and held in a UK employee benefit trust. One Matching Share is awarded for every ten Partnership Shares purchased and has a holding period of three years. Matching Shares are funded by way of market purchases.

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

	2014		2013	
	Number of share options	Weighted average exercise price (p)	Number of share options	Weighted average exercise price (p)
Outstanding at beginning of the year	216,719	223	263,717	214
Granted	79,427	214	43,962	237
Forfeited	(16,729)	218	(37,746)	226
Transferred from/(to) group companies	5,858	222	(16,910)	171
Exercised	(47,362)	196	(36,304)	194
	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding at end of the year	237,913	225	216,719	223
	<hr/>	<hr/>	<hr/>	<hr/>
Exercisable at end of year	72,662	228	57,695	202
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the financial statements**Year ended 31 March 2014****16. Share-based payments (continued)**

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

	2014	2013
	£'000	£'000
Executive share options	17	(11)
Savings related share options	1	5
LTIP	3	-
	<u>21</u>	<u>(6)</u>

	2014	2013
The weighted average share price at the date of exercise for share options exercised during the year was: (p)	272	284
The options outstanding at the year-end had a weighted average price of: (p)	225	223
The options outstanding at the year-end had a weighted average remaining contractual life of: (years)	5	6

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

	Fair value
	£'000
LTIP	2
Savings related share options	18
Executive share options	10

Notes to the financial statements

Year ended 31 March 2014

16. Share-based payments (continued)

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

	2014	2013
Black-Scholes		
Share price (p)	219 - 274	198 - 274
Exercise price (p)	0 - 254	0 - 254
Expected volatility (%)	30 - 32	32 - 35
Expected life (years)	3 - 5	3 - 5
Risk-free rate (%)	0.55 - 1.48	0.55 - 2.42
Expected dividends (%)	3.5 - 4.1	3.3 - 4.1
Monte-Carlo		
Share price (p)	251	-
Exercise price (p)	32	-
Expected volatility (%)	24	-
Expected life (years)	3	-
Risk-free rate (%)	0.64	-
Expected dividends (%)	4.1	-

Expected volatility was based on historical volatility over the expected life of the schemes. The expected life is based upon historical data and has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations.

17. Pension arrangements

The Company participates in the Mitie Group Plc Pension Scheme. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the Group. For the purposes of Financial Reporting Standard 17 ('Retirement Benefits'), the Company has been unable to identify its share of the underlying assets and liabilities in the main Group scheme on a consistent and reasonable basis. Therefore the Company is accounting for contributions to the scheme as if it were a defined contribution scheme. Note 21 to the Report and Accounts of the Group sets out the details of the International Accounting Standard 19 'Employee Benefits' net pension deficit of £17 million (2013: deficit of £29.7 million).

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

Notes to the financial statements

Year ended 31 March 2014

18. Pension liability

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 and past service costs were measured using the projected unit credit method. For Admitted Body Schemes, which are all part of the Local Government Pension Scheme, the Company will only participate for a finite period up to the end of the contracts. The Company is required to pay regular contributions as decided by the relevant Scheme Actuary and detailed in the Scheme's Schedule of Contributions.

The contributions made by the employer over the financial period were £351,395 (2013: £416,439).

Key assumptions used for FRS 17 valuation:	2014 %	2013 %
Discount rate	4.5	4.5
Expected return on scheme assets:		
- Equity instruments	7.5	7.0
- Debt instruments	4.0	4.0
- Property	7.0	6.5
- Other assets	2.5	2.5
- Alternative assets	-	7.5
Expected rate of salary increases	2.0	3.9
Future pension increases	3.4	3.4
Inflation (RPI)	3.4	3.4
Inflation (CPI)	2.4	2.4

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.

Notes to the financial statements**Year ended 31 March 2014****18. Pension liability (continued)**

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

	2014	2013
	£'000	£'000
Current service cost	(293)	(294)
Past service credit	-	-
	<u>(293)</u>	<u>(294)</u>

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

	£'000	£'000
Interest cost	(338)	(310)
Expected return on scheme assets	439	385
	<u>101</u>	<u>75</u>

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

	£'000	£'000
Actual return less expected return on scheme assets	(330)	431
Actuarial gains/(losses)	527	(722)
	<u>197</u>	<u>(291)</u>

Notes to the financial statements**Year ended 31 March 2014****18. Pension liability (continued)**

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

	£'000	£'000
Fair value of scheme assets	7,393	7,063
Present value of defined benefit obligations	(7,447)	(7,474)
	<hr/>	<hr/>
Surplus in the scheme	(54)	(411)
Related deferred tax asset	-	-
	<hr/>	<hr/>
Net pension liability	(54)	(411)
	<hr/>	<hr/>

	£'000	£'000
Analysis of scheme assets		
Equity instruments	5,053	4,844
Debt instruments	1,183	1,425
Property	612	487
Other assets	545	307
	<hr/>	<hr/>
At 31 March 2014	7,393	7,063
	<hr/>	<hr/>

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

	£'000	£'000
At start of year	7,474	5,785
Service costs	293	294
Interest costs	338	310
Contributions from scheme members	83	98
Actuarial (losses)/gains	(527)	690
Benefits paid	(214)	(137)
Contract transfers	-	434
	<hr/>	<hr/>
At end of year	7,447	7,474
	<hr/>	<hr/>

Notes to the financial statements

Year ended 31 March 2014

18. Pension liability (continued)

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

	£'000	£'000
At start of year	7,063	5,467
Expected return on scheme assets	439	386
Actuarial (losses)/gains	(330)	431
Contributions from scheme members	84	99
Contributions from sponsoring companies	351	416
Benefits paid	(214)	(137)
Contract transfers	-	401
	<u>7,393</u>	<u>7,063</u>
At end of year	<u>7,393</u>	<u>7,063</u>

The history of experience adjustments is as follows:

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Fair value of scheme assets	7,393	7,063	5,467	4,426	3,820
Present value of defined benefit obligations	(7,447)	(7,474)	(5,785)	(4,433)	(4,368)
	<u>(54)</u>	<u>(411)</u>	<u>(318)</u>	<u>(7)</u>	<u>(548)</u>
Deficit in scheme	<u>(54)</u>	<u>(411)</u>	<u>(318)</u>	<u>(7)</u>	<u>(548)</u>
Experience adjustments on scheme liabilities (£'000)	327	165	225	(185)	418
Percentage of scheme liabilities	4%	65%	-47%	-132%	202%
Experience adjustments on scheme assets (£'000)	(330)	422	394	(68)	963
Percentage of scheme assets	(4)%	99%	48%	36%	266%

Notes to the financial statements**Year ended 31 March 2014****19. Related party transactions**

Set out below are the related party transactions. The Company has taken the exemption available under FRS 8 not to disclose transactions with other wholly-owned subsidiaries of Mitie Group plc. There were no transactions with entities other than members of Mitie Group plc which require disclosure under FRS 8

Related Party	Nature of transaction	Transaction amount		year end balance	
		2014 £'000	2013 £'000	2014 £'000	2013 £'000
Mitie Technical Facilities Management Ltd	Sales	-	4	-	4
Mitie Technical Facilities Management Ltd	Purchases	(1,220)	(1,404)	(89)	(259)
Mitie Compliance Ltd	Purchases	-	(4)	-	-
Mitie Deep Red 55 Ltd	Purchases	(1)	(2)	-	-
Mitie Catering Services Limited	Purchases	(1)	-	-	-
Mitie Waste & Environmental Services Limited	Purchases	(430)	-	(375)	-
Mitie Landscapes Ltd	Purchases	-	(212)	-	(27)
Mitie Pest Control (London) Ltd	Purchases	-	(45)	-	-
Mitie Security Systems Ltd	Purchases	-	(56)	-	(11)
Mitie Security (London) Ltd	Purchases	-	(13)	-	(1)
Mitie Security Ltd	Purchases	-	(151)	-	(23)

20. Ultimate parent undertaking and controlling party

Mitie Facilities Services Limited is the immediate controlling party and the directors regard Mitie Group plc, a company registered in England, as the ultimate parent company and controlling party.

Mitie Group plc is the largest and smallest group for which group accounts are prepared. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.