

Company Registration No. 74643

Interserve Investments Limited

Report and Financial Statements

31 December 2011



Interserve Investments Limited

Report and financial statements 2011

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Interserve Investments Limited

Report and financial statements 2011

Officers and professional advisers

Directors

A M Ringrose
A Premachandra
B A Melizan
C R Field
D J Paterson
D I Sutherland
R D Vince
R Goyal
R Marsden
S M Jones
T Haywood
T Bradbury

Secretary

L Smerdon

Registered Office

Interserve House
Ruscombe Park
Twyford
Reading
Berkshire
RG10 9JU

Auditor

Deloitte LLP
Chartered Accountants
London

Interserve Investments Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

This Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exception

Activities and future prospects

The principal activities of the company are that of a holding company of investments and bidding new work on PFI/PPP projects. This activity is expected to continue for the foreseeable future

Going concern

The company is profitable and has positive reserves in excess of £57m and therefore the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and accordingly the financial statements have been prepared on the going concern basis

Results

The results of the company are as set out in the accounts on page 7. No interim dividend was paid during the year (2010: £nil) and the directors do not recommend a final dividend (2010: £nil). A profit of £1,326,000 (2010: £2,545,000) has been transferred to reserves.

Directors and their interests

The directors who served throughout the year and who remain directors as at the date of this report unless otherwise stated are set out below:

A M Ringrose
A Premachandra
B A Melizan
C R Field
D J Paterson
D I Sutherland
R D Vince
R Goyal
R Marsden
S M Jones
T Haywood
T Bradbury

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Directors' indemnities

The Company has made third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Interserve Investments Limited

Directors' report (continued)

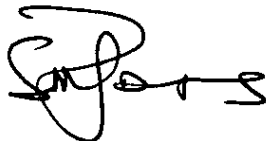
Creditor payment policy

It is the company's normal practice to agree payment terms with its suppliers and abide by those terms. Payment becomes due when it can be confirmed that the goods and/or services have been provided in accordance with the relevant contractual conditions. Trade creditors at 31 December 2011 calculated in accordance with the requirements of the Companies Act 2006 were nil days (2010 nil days). This represents the ratio, expressed in days, between the amounts invoiced to the company in the year by its suppliers and the amounts due, at the year end, to trade creditors falling due for payment within one year.

Auditor

Deloitte LLP have been appointed as auditor to the company and have expressed their willingness to continue in office as auditor.

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

A handwritten signature in black ink, appearing to read 'S M Jones', written over a horizontal line.

S M Jones
Director

13 August 2012

Interserve Investments Limited

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). 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, 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.

Independent auditor's report to the members of Interserve Investments Limited

We have audited the financial statements of Interserve Investments Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes 1 to 11. 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. 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 December 2011 and of the 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.

Independent auditor's report to the members of Interserve Investments Limited (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company 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, or
- the directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report



Jacqueline Holden (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, England

13 August 2012

Interserve Investments Limited

Profit and loss account Year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Administrative expenses (net)		(5,256)	(4,733)
Operating loss	2	(5,256)	(4,733)
Income from fixed asset investments	3	5,714	6,398
Interest receivable/(payable)	4	287	(22)
Profit on ordinary activities before taxation		745	1,643
Tax credit on profit on ordinary activities	5	581	902
Profit on ordinary activities after taxation	10	1,326	2,545

All transactions are derived from continuing operations

The company had no recognised gains or losses in the year other than as shown in the profit and loss account and accordingly no statement of total recognised gains and losses has been prepared

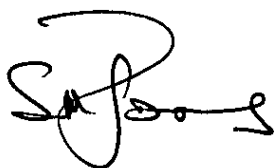
Interserve Investments Limited

Balance sheet 31 December 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Investments	6	26,821	26,858
Current assets			
Debtors	7	77,209	59,787
Creditors: amounts falling due within one year	8	(47,028)	(30,969)
Net current assets		30,181	28,818
Total assets less current liabilities and net assets		57,002	55,676
Capital and reserves			
Called up share capital	9	1,233	1,233
Share premium account	10	20,950	20,950
Profit and loss account	10	34,819	33,493
Shareholders' funds		57,002	55,676

These financial statements of Interserve Investments Limited, registered number 74643 were approved by the Board of Directors and authorised for issue on 13 August 2012

Signed on behalf of the Board of Directors



S M Jones
Director

Interserve Investments Limited

Notes to the accounts Year ended 31 December 2011

1. Accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards

The particular policies adopted by the directors are described below

Convention

These financial statements have been prepared in accordance with the historic cost convention

Going concern

The financial statements are prepared on a going concern basis. As disclosed on page 2 the directors believe that the company has adequate resources to continue in operational existence for the foreseeable future

Fixed asset investments

Investments in subsidiary and associated undertakings are stated at cost less provision for any permanent impairment in value. Income from fixed asset investments represents distributions received from investments and interest received on loans made to fixed assets investments. Distributions are recognised when the company becomes entitled to receipt which is typically on receipt of the distribution. Interest received is recognised on an accrual basis

Taxation

Current tax, including UK corporation and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is provided in full on timing differences which 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 or income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. 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

Pension scheme

The company participates in the Interserve Pension Scheme. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the group. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme, where the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year

Pre-contract costs

In compliance with UITF 34, pre-contract costs on PFI contracts are recognised as expenses as incurred, except that directly attributable costs are recognised as an asset when it is virtually certain that a contract will be obtained and the contract is expected to result in future net cash flows

Interserve Investments Limited

Notes to the accounts

Year ended 31 December 2011

1 Accounting policies (continued)

Share-based payments

The ultimate parent, Interserve plc, issues equity-settled share-based payments to certain employees of the Group. The fair value determined at the grant date is expensed by the Group on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of an appropriate valuation model (Black Scholes or stochastic depending on the characteristics of the individual grants). Further details can be found in note 27 of the 2011 Interserve plc financial statements. Interserve plc recharges to the company the fair value of grants made to employees of the company. The company has applied the accounting requirements of FRS 20 "Share-based payment". In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were not fully vested as of January 2006.

Consolidation

These financial statements present information about the company alone and not of a group. Consolidated financial statements have not been prepared as provided by section 401 of the Companies Act 2006.

Cash flow statement

The company has taken advantage of the Financial Reporting Standard No. 1 (revised) exemption for 90% subsidiaries not to prepare a cash flow statement.

2. Operating loss

	2011 £'000	2010 £'000
Operating loss is stated after charging		
Auditor's remuneration for audit services	8	8

Directors and employees

	2011 £'000	2010 £'000
Directors' emoluments		
Remuneration for services to company	967	1,074

The highest paid director received £203,000 salary and benefits (excluding pension contributions) during the year (2010 £260,000). His accrued pension entitlement at 31 December 2011 was £nil (2010 £nil).

Seven directors (2010 seven) are members of the defined benefit section of the Interserve Pension Scheme. Five directors (2010 five) are members of the defined contribution section of the Scheme. Contributions of £157,381 (2010 £58,151) were paid in respect of those members of the defined contribution section of the Scheme.

	2011 No.	2010 No.
Employees		
The average number, excluding directors, employed by the company, within each category of persons was		
Administration	54	46
	54	46

Interserve Investments Limited

Notes to the accounts

Year ended 31 December 2011

2 Operating loss (continued)

Staff costs incurred during the year in respect of these employees, excluding directors, were

	2011 £'000	2010 £'000
Wages and salaries	4,901	4,184
Social security costs	461	448
Pension costs	310	246
	<u>5,672</u>	<u>4,878</u>

Administrative expenses are shown net of £5,456,000 (2010 £5,135,000) in respect of costs and services recharged to joint venture companies

3. Income from fixed asset investments

	2011 £'000	2010 £'000
Dividends from joint ventures	4,248	5,032
Interest receivable – loan stock interest	1,466	1,366
	<u>5,714</u>	<u>6,398</u>

4. Interest receivable/(payable)

	2011 £'000	2010 £'000
Interest receivable:		
Interest receivable on loan to parent company	1,433	-
Interest receivable	<u>1,433</u>	<u>-</u>
Interest payable:		
Bank interest	740	577
Other finance costs	406	(555)
Interest payable	<u>1,146</u>	<u>22</u>
Net Interest receivable/(payable)	<u>287</u>	<u>(22)</u>

Interserve Investments Limited

Notes to the accounts Year ended 31 December 2011

5. Tax on loss on ordinary activities

	2011 £'000	2010 £'000
Current taxation		
United Kingdom corporation tax		
Current tax credit on loss for the year at 26.5% (2010: 28%)	901	902
Prior year adjustment	(320)	-
	<u>581</u>	<u>902</u>
Total current taxation	<u>581</u>	<u>902</u>

Factors affecting the tax credit in the year:

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	<u>745</u>	<u>1,643</u>
Tax charge on profit on ordinary activities before tax at 26.5% (2010: 28%)	(197)	(460)
Tax exempt capital gain		-
Dividends	1,126	1,409
Intergroup loan	3	-
Expenses not deductible for tax purposes	(31)	(47)
	<u>901</u>	<u>902</u>
Current tax credit for the year	<u>901</u>	<u>902</u>

Interserve Investments Limited

Notes to the accounts Year ended 31 December 2011

6. Investment in subsidiary and associated undertakings

	2011 £'000	2010 £'000
Summary		
Investment in joint ventures	26,820	26,857
Investment in subsidiaries	1	1
	<u>26,821</u>	<u>26,858</u>

Investments in joint ventures undertakings:

	Shares at cost and net book value £'000	Loans £'000	Total £'000
As at 1 January 2011	14,959	11,898	26,857
Repayments in the year	-	(37)	(37)
As at 31 December 2011	<u>14,959</u>	<u>11,861</u>	<u>26,820</u>

In the opinion of the directors, the aggregate value of the shares in principal undertakings is not less than the aggregate of the amounts at which they are stated in the balance sheet

The principal joint venture undertakings and the percentage of ownership are set out below. None of the shares related to a listed investment. All undertakings were incorporated in Great Britain and were directly owned.

Principal joint venture undertakings	Ordinary share capital held	Operations
Ashford Prison Services Holdings Limited	33%	Holding company
Harmondsworth Detention Services Limited	49%	Holding company
Health Management (Carlisle) Holdings Limited	50%	Holding company
Health Management (UCLH) Holdings Limited	33%	Holding company
Healthcare Support (Newcastle) Holdings Limited	20%	Holding company
Peterborough Prison Management Holdings Limited	33%	Holding company

Investments in subsidiary undertakings

	Shares at cost £'000	Total £'000
Cost and net book value		
As at 1 January 2011 and 31 December 2011	<u>1</u>	<u>1</u>

The investments represent 500 £1 ordinary shares in Interserve PFI Holdings 2003 Limited and 500 £1 ordinary shares in Interserve PFI 2009 Holdings Limited, both companies are incorporated in Great Britain and are directly owned.

Interserve Investments Limited

Notes to the accounts Year ended 31 December 2011

7. Debtors

	2011 £'000	2010 £'000
Trade debtors	927	214
Amounts owed by group undertakings	75,827	58,722
Amounts owed by associated undertakings	455	584
Corporation tax receivable	-	267
	<u>77,209</u>	<u>59,787</u>

8. Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Bank overdraft	28,745	14,942
Amounts owed to group undertakings, non-interest bearing	1,436	1,566
Other creditors including taxation and social security	130	-
Accruals and deferred income	16,717	14,461
	<u>47,028</u>	<u>30,969</u>

The bank overdraft represents the company's share of the Interserve plc group facility and interest is charged to the company by Interserve plc at 4% pa

The amount owed to the ultimate parent company is interest free and is repayable on demand

9. Called up share capital

	2011 £'000	2010 £'000
Authorised:		
50,000,000 (2010 50,000,000) ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Called up, allotted and fully paid:		
1,232,854 (2010 1,232,854) ordinary shares of £1 each	<u>1,233</u>	<u>1,233</u>

10. Reconciliation of movements in reserves and shareholders' funds

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity shareholders' funds £'000
Balance at 1 January 2011	1,233	20,950	33,493	55,676
Profit attributable to shareholders	-	-	1,326	1,326
Balance at 31 December 2011	<u>1,233</u>	<u>20,950</u>	<u>34,819</u>	<u>57,002</u>

Interserve Investments Limited

Notes to the accounts

Year ended 31 December 2011

11. Ultimate parent undertaking and related party transactions

The company's immediate and ultimate parent company and controlling party, and parent company of the largest and smallest group which includes the company and for which group financial statements are prepared, is Interserve Plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the group financial statements of Interserve Plc are available from Companies House, Crown Way, Mandy, Cardiff CF14 3UZ.

The company has taken advantage of the exemption contained in Financial Reporting Standard 8 "Related party disclosures" not to report transactions with other group companies.