

REGISTERED NUMBER: 00074643 (England and Wales)

Annual Report and
Financial Statements for the Year Ended 31 December 2019
for
Interserve Investments Limited



Interserve Investments Limited

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for the Year Ended 31 December 2019

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Interserve Investments Limited

Company Information
for the Year Ended 31 December 2019

DIRECTORS:

J H Downman
C J Edwards

REGISTERED OFFICE:

Capital Tower
91 Waterloo Road
London
SE1 8RT

REGISTERED NUMBER:

00074643 (England and Wales)

AUDITORS:

Grant Thornton UK LLP
Chartered Accountants and Statutory Auditor
St Johns House
Haslett Avenue West
Crawley
RH10 1HS

Interserve Investments Limited

Strategic Report
for the Year Ended 31 December 2019

The company acts as a holding company for its 2 remaining active PFI JV Investments.

REVIEW OF BUSINESS

In the year the company made a loss of £145,149,000 (2018: profit of £14,808,000).

The above loss includes exceptional costs of £122,000 (2018: £90,000) which relates to redundancy costs recharged to the company in the year, and £153,547,000 (2018: £246,000 Credit) relating to intercompany balance impairment.

The company's operations are managed under the supervision of its directors and closely monitored by Interserve Group Limited.

Interserve Investments Limited

Strategic Report
for the Year Ended 31 December 2019

PRINCIPAL RISKS AND UNCERTAINTIES

The key risks and uncertainties affecting the company are considered to relate to market change and financial risks. Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided in the Group's annual report which does not form part of this report.

GOING CONCERN

As a consequence of Group banking arrangements to which the Company is a party, the Directors assessment of the going concern status of the Company is reliant upon the going concern status of the Group as a whole. Based on information provided to the Directors by the Interserve Group Limited and its subsidiary undertakings (together "the Group") in relation to the Group's trading results, its available cash and debt facilities, its ability to continue to operate within its financial covenants and its latest financial forecasts and projections, the Directors expect the Company to have sufficient liquidity to meet its funding requirements during the going concern review period of 12 months to 28 February 2022.

The Directors have carefully considered factors which may affect the Company's and the Group's future performance and financial position in the context of their available resources. Specifically:

- The risks arising from the current COVID-19 pandemic and its potential implications to the broader global economic climate which could impact our ability to win new work and cause delays in the delivery of our existing projects.
- The satisfactory close out of legacy liabilities in relation to Glasgow EfW within a level covered by existing facilities and the likelihood of a commercial settlement or an arbitration outcome occurring within the going concern period of the next twelve months.
- Following the disposal of the Group's Support Services business in November 2020, the Group continues to review options for further disposals. Although no decisions have been made, it is possible that further disposals could be made within the going concern review period. The impact of any such disposals and the requirement to repay debt or retire debt facilities with the majority of any disposal proceeds, cannot be accurately assessed at this stage. However, the directors would, in accordance with their statutory duties, naturally engage with other companies within the Group (including Interserve Group Limited) in order to ensure that the remaining Group continued to have access to sufficient financial resources as part of any decision making process. The Directors consider it implausible that a disposal would be approved that resulted in the going concern basis of preparation no longer being appropriate. However, it is plausible that available liquidity headroom could be reduced as a result of such a disposal.

While the Group's Downside Case forecast which reflects reasonably possible adverse variations in performance arising from lower new order intake due to less work available and increased competition, further COVID-19 related delays to delivering and completing existing contracts, increases in working capitalisation and delays in achieving central cost savings, indicates sufficient liquidity and compliance with covenants, the Directors have identified, via their reverse stress testing, various plausible but severe combinations of adverse events which, in combination, could lead to a shortfall in liquidity within the assessment period. As such, the Directors have concluded that, although the uncertainties identified are not individually material, in combination under a severe and plausible set of scenarios they represent a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

The Directors have concluded that, after due consideration, there is a reasonable expectation that the Company has adequate resources to continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing these financial statements.

These financial statements do not include the adjustments that would result if the Group or the Company were unable to continue as a going concern.

Interserve Investments Limited

Strategic Report

for the Year Ended 31 December 2019

SECTION 172(1) STATEMENT

Section 172 of the Companies Act requires directors of large companies to include a statement in the Financial Statements that explains how its directors have had regard to wider stakeholder needs when performing their duty under S172 of the Companies Act 2006. Current guidance advises that this statement should address:

The likely consequences of any decision in the long term
The interests of the company's employees
The need to foster the company's business relationships with suppliers, customers and others
The impact of the company's operations on the community and the environment
The desirability of the company maintaining a reputation for high standards of business conduct, and
The need to act fairly as between members of the company.

This company is classified as small as it no longer has any employees and its turnover and general trading operations have been wound down, and therefore it does not have suppliers or customers and the majority of the points above do not apply to the company. The company does own 100% of the share capital of Interserve Service Futures Holdings Limited which in turn manages trading companies in the Healthcare, Justice and Apprenticeship sector. When taken as a whole this group could be considered large, but this company does not manage the affairs of Interserve Service Futures Limited and instead the management of Interserve Service Futures is contained within its own board under the direct supervision of the ultimate company Interserve Group Limited, who make their own S172(1) statement in their Financial Statements. Consequently this company's sole focus is on its 2 remaining PFI JV Investments and it is not applicable to expand on any of the points above.

FINANCIAL RISK MANAGEMENT

The directors have reviewed the financial risk management objectives and policies of the company; where there is a significant exposure to financial risks, the group policy laid down by the parent company, Interserve Group Limited, is followed.

The company does not as a regular policy enter into hedging instruments, as there is not believed to be any material exposure. It does not enter into any speculative financial instruments.

Appropriate trade terms are negotiated with suppliers and customers and management review 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 the requirements for additional funding are managed as part of the overall Interserve Group Limited financing arrangements.

ON BEHALF OF THE BOARD:



J H Downman - Director

26 February 2021

Interserve Investments Limited

Directors' Report
for the Year Ended 31 December 2019

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

Financial risk management objectives and policies

Details of the principal risks and uncertainties are included in the Strategic Report.

Strategic report

The information that fulfils the Companies Act requirements of the business review is included in the Strategic Report. This includes a review of the development of the business of the company during the year, of its position at the end of the year and of the likely future developments in its business.

Employees

Following the sale of its business and the transfer of the remaining employees to a fellow subsidiary in 2018 the company no longer has any employees. The company receives a recharge, at cost, for any work done by ex employees on its behalf.

PRINCIPAL ACTIVITIES

The company acts as an intermediate holding company for its 2 remaining PFI JV Investments.

DIVIDENDS

An interim dividend of £nil was paid during the year (2018: £nil) and the directors do not recommend a final dividend (2018: £nil).

DIRECTORS

The directors who have held office during the period from 1 January 2019 to the date of this report are as follows:

D Sutherland - resigned 28 February 2019

R Marsden - resigned 30 April 2019

J H Downman and C J Edwards were appointed as directors after 31 December 2019 but prior to the date of this report.

S Jones and R Goyal ceased to be directors after 31 December 2019 but prior to the date of this report.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Directors' 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, including FRS 101 'Reduced Disclosure Framework'. 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 and 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;
- 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.

Interserve Investments Limited

Directors' Report
for the Year Ended 31 December 2019

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors confirm that:

- So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditor is unaware, and
- The directors have taken all the steps that ought to have been taken as a director in order to make to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Grant Thornton UK LLP, will be proposed for re-appointment for the next accounting period.

ON BEHALF OF THE BOARD:

J H Downman

J H Downman - Director

26 February 2021

Independent Auditors' Report to the Members of
Interserve Investments Limited

Opinion

We have audited the financial statements of Interserve Investments Limited (the 'company') for the year ended 31 December 2019, which comprise the Statement of Total Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Material uncertainty related to going concern

We draw attention to Note 2 – Going concern in the financial statements which explains that the Company's going concern assessment is dependent upon the assessment of the going concern of the Group as a whole. As stated in Note 2 – Going concern, a number of uncertainties have been identified across the Group. The Directors have concluded that whilst individually these uncertainties are not material, in combination under a severe and plausible set of scenarios they represent a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditors' Report to the Members of
Interserve Investments Limited

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Grant Thornton UK LLP

Adam Terry BSC ACA (Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP
Chartered Accountants and Statutory
Auditor
Crawley

Date: 26 February 2021

Interserve Investments LimitedStatement of Total Comprehensive Income
for the Year Ended 31 December 2019

	Notes	2019 £'000	2018 £'000
TURNOVER		1,636	14,247
Cost of sales		<u>2,782</u>	<u>(4,764)</u>
GROSS PROFIT		4,418	9,483
Administrative expenses		<u>(66)</u>	<u>417</u>
OPERATING PROFIT BEFORE EXCEPTIONALS		4,352	9,900
Exceptional costs	4	<u>(152,523)</u>	<u>156</u>
OPERATING (LOSS)/PROFIT		(148,171)	10,056
Income from shares in group undertakings		-	2,970
Income from participating interests	5	794	634
Interest receivable and similar income	6	<u>4,096</u>	<u>3,767</u>
(LOSS)/PROFIT BEFORE TAXATION	7	(143,281)	17,427
Tax on (loss)/profit	8	<u>(1,868)</u>	<u>(2,619)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(145,149)	14,808
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(145,149)</u>	<u>14,808</u>

The notes form part of these financial statements

Interserve Investments Limited (Registered number: 00074643)Balance Sheet
31 December 2019

	Notes	2019 £'000	2018 £'000
FIXED ASSETS			
Investments	9	7,867	7,867
CURRENT ASSETS			
Debtors	10	9,087	161,652
Cash in hand		<u>4,538</u>	<u>4,992</u>
		13,625	166,644
CREDITORS			
Amounts falling due within one year	11	<u>(21,405)</u>	<u>(29,275)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(7,780)</u>	<u>137,369</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>87</u>	<u>145,236</u>
CAPITAL AND RESERVES			
Called up share capital	12	1,233	1,233
Share premium	13	20,950	20,950
Retained earnings	13	<u>(22,096)</u>	<u>123,053</u>
SHAREHOLDERS' FUNDS		<u>87</u>	<u>145,236</u>

The financial statements were approved by the Board of Directors and authorised for issue on 26 February 2021 and were signed on its behalf by:

J H Downman

J H Downman - Director

The notes form part of these financial statements

Interserve Investments LimitedStatement of Changes in Equity
for the Year Ended 31 December 2019

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
Balance at 1 January 2018	1,233	108,245	20,950	130,428
Changes in equity				
Total comprehensive income	-	14,808	-	14,808
Balance at 31 December 2018	1,233	123,053	20,950	145,236
Changes in equity				
Total comprehensive income	-	(145,149)	-	(145,149)
Balance at 31 December 2019	1,233	(22,096)	20,950	87

The notes form part of these financial statements

Interserve Investments Limited

Notes to the Financial Statements
for the Year Ended 31 December 2019

1. STATUTORY INFORMATION

Interserve Investments Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparation

Interserve Investments Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operation and its principal activities are set out in the strategic report on page 2.

These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis.

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Interserve Group Limited.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share based payment, non-current assets held for sale, financial instruments, capital measurement, presentation of comparative information in respect of certain assets, presentation of a cashflow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of Interserve Group Limited.

IFRS 16 replaced IAS 17 Leases and became effective for accounting periods on or after 1 January 2019. It requires nearly all leases to be recognised on the balance sheet as liabilities, including those currently recognised as operating leases, with corresponding assets being created.

As the company no longer trades it does not have any material leases, and has no plans to enter into new leases. Consequently there would be no quantitative impact on the Company upon adoption of IFRS 16, and any minor adjustments that might occur have not been reflected in the financial statements.

Going Concern

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its liabilities as they fall due in the 12 month period to 28 February 2022 ("the going concern review period"). Based on current forecasts and taking into account existing cash and debt facilities of Interserve Group Limited and its subsidiary undertakings (together "the Group"), the Directors expect the Company to have sufficient liquidity to meet its funding requirements during the going concern review period.

Interserve Investments LimitedNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**2. ACCOUNTING POLICIES- continued**

As a consequence of group banking arrangements to which this company is a party, our assessment of the going concern status of the Company is reliant upon the going concern status of the Group as a whole.

Following the appointment of Administrators to Interserve Plc in March 2019, the Group's Construction business lost a number of contracts previously awarded on a preferred bidder basis. The loss of these volumes coupled with the identification of cost overruns on certain legacy contracts gave rise to a material cash out flow from the Group in 2019.

Since the deleveraging, the Group and Divisional management teams have been strengthened including a new Group Board, Chairman and CFO and a revised reporting structure put in place. Additional funding facilities of £39 million and £125 million were put in place in October 2019 and February 2020 respectively to re-establish a stable financial platform from which to grow the business and to ensure good liquidity over the medium term. The Group has since sold its FM services business to Mitie during November 2020 for £105 million and a 17.5% equity share in Mitie's business. The majority of these proceeds were used to repay existing borrowing facilities with an appropriate balance retained for working capital purposes. Following the disposal of the FM services business the Group's financial covenants have been reset with appropriate headroom to reflect the size of the remaining businesses.

When considering the appropriateness of the going concern basis of preparation, the Directors have reviewed a number of factors, including information provided to them in relation to the Group's trading results, its available resources, the ability of the Group to continue to operate within its financial covenants and the Group's latest forecasts and projections, comprising:

- A Base Case forecast which has been prepared on a bottom up basis with conservative assumptions regarding new contract wins and settlements on existing contracts;
- A Downside Case reflecting reasonably possible adverse variations in performance including:
 - lower new orders reflecting less work available and increased competition;
 - the impact of further COVID 19 related delays in delivering and completing existing contracts, and;
 - increases in working capital utilisation and delays in achieving central cost savings.
- A Reverse Stress Test that looks to identify scenarios that would give rise to a liquidity shortfall such that the Group could no longer be considered a going concern and then assess the likelihood of each of these severe but plausible downsides arising. These stress tests included increased market competition in UK Construction, additional costs of settling the Glasgow Energy for Waste dispute and delays in the delivery of central cost savings.

Although the Group's Downside Case shows lower headroom at certain points in the forecast period, it demonstrates sufficient liquidity to absorb these risks while complying with the Group's financial covenants. In addition, there are a number of upside opportunities that have not been recognised in either the Base Case or the Downside Case including better than anticipated settlement and claim outcomes and greater success in securing new work than forecast. Further, the forecasts include contingencies that may not be required. The Directors therefore consider that the Downside Case, in isolation, represents a severe and plausible scenario where nonetheless no covenant breach or exhaustion of available liquidity occurs.

Interserve Investments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES- continued

The Directors have carefully considered factors which may affect the Company's and the Group's future performance and financial position in the context of their available resources. Specifically:

- The risks arising from the current COVID-19 pandemic and its potential implications to the broader global economic climate which could impact our ability to win new work and cause delays in the delivery of our existing projects.
- The satisfactory close out of legacy liabilities in relation to Glasgow EfW within a level covered by existing facilities and the likelihood of a commercial settlement or an arbitration outcome occurring within the going concern period of the next twelve months.
- Following the disposal of the Group's Support Services business in November 2020, the Group continues to review options for further disposals. Although no decisions have been made, it is possible that further disposals could be made within the going concern review period. The impact of any such disposals and the requirement to repay debt or retire debt facilities with the majority of any disposal proceeds, cannot be accurately assessed at this stage. However, the directors would, in accordance with their statutory duties, naturally engage with other companies within the Group (including Interserve Group Limited) in order to ensure that the remaining Group continued to have access to sufficient financial resources as part of any decision making process. The Directors consider it implausible that a disposal would be approved that resulted in the going concern basis of preparation no longer being appropriate. However, it is plausible that available liquidity headroom could be reduced as a result of such a disposal.

While the Downside Case indicates sufficient liquidity and compliance with covenants, the Directors have identified, via their reverse stress testing, various plausible but severe combinations of adverse events which, in combination, could lead to a shortfall in liquidity within the assessment period. As such, the Directors have concluded that, although the uncertainties identified are not individually material, in combination under a severe and plausible set of scenarios they represent a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

The Directors have concluded that, after due consideration, there is a reasonable expectation that the Company has adequate resources to continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing these financial statements.

These financial statements do not include the adjustments that would result if the Group or the Company were unable to continue as a going concern.

Interserve Investments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

Turnover

Turnover comprises the value of work executed excluding VAT and other sales related taxes, in respect of fees received from Management Services Agreements with PFI companies and other Investments recognised over time, together with one off sales of Investments recognised at the time of sale. All turnover is derived from the UK.

Taxation

Current tax, including UK corporation 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. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of total comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) or other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is charged or credited in the Statement of total comprehensive income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Interserve Investments LimitedNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**2. ACCOUNTING POLICIES - continued****Employee benefit costs**

The company participated 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 was unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounted 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. The company no longer has any employees and therefore does not incur and pensions costs.

Exceptional items

Exceptional items are those that the company consider to be non-recurring and significant in size or nature. Exceptional items include: the costs of redundancy programmes recharged to it and impairments of PFI Investments.

Fixed Asset investments

Investments in Joint Venture 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.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances are initially measured at transaction price including transaction costs and are subsequently carried at amortised costs using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at market rate interest.

Basic financial liabilities, including trade and other payables, bank loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of the business from suppliers. Accounts payables are classified as current liabilities if payment is due within one year or less. If not, they are present as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Critical accounting judgements and key sources of estimation uncertainty

In the preparation of the financial statements, management makes certain judgements and estimates that impact the financial statements. While these judgements are continually reviewed the facts and circumstances underlying these judgements may change resulting in a change to the estimates that could impact the results of the company. In particular:

Revenue and margin recognition

The policy for turnover is set out in note 2. Judgements and regular forecasts are compiled on the outcomes of these types of contracts, which require assessments and judgements relating to fees received from the Management Service Agreements and with PFI and investment companies.

Carrying value of trade and other receivables

Allowance for doubtful debt and provisions against other receivables and the carrying value of accrued income, are made on a specific basis, based on estimates of irrecoverability determined by market knowledge and past experience.

Carrying value of Investment in Joint venture undertakings

The requirement or not for any impairment of Investments is made based on market knowledge and past experience of the saleability of the Investments.

Interserve Investments LimitedNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**3. EMPLOYEES AND DIRECTORS****Directors and employees**

	2019 £'000	2018 £'000
Directors' emoluments (excluding pension contributions)	-	801
Remuneration for services to company	<u>-</u>	<u>801</u>

There is no highest paid director in 2019 but in 2018 the highest paid director received £232,823 for salary and benefits (excluding pension contributions) during the year.

No directors (2018: four) are members of the defined benefit section of the Interserve Pension Scheme. No directors (2018: four) are members of the defined contribution section of the Scheme. No contributions (2018: £18,395) were paid in respect of those members of the defined contribution section of the Scheme.

	2019 Number	2018 Number
The average number of employees employed by the company was:		
Administration	<u>-</u>	<u>48</u>
	<u>-</u>	<u>48</u>

The costs incurred in respect of these employees were:

	2019 £'000	2018 £'000
Wages and salaries	-	3,115
Social security costs	-	274
Pension costs	<u>-</u>	<u>513</u>
	<u>-</u>	<u>3,902</u>

4. EXCEPTIONAL ITEMS

	2019 £'000	2018 £'000
Summary		
Write back/(off) of intercompany balances - not tax deductible	(153,547)	246
Cost of redundancies in the year	(122)	(90)
Costs allocated for an Energy from Waste contract (Derby PFI)	(169)	-
Costs allocated for group resource on disposal activities	(100)	-
Write back of Haymarket Provisions no longer required	<u>1,415</u>	<u>-</u>
	<u>(152,523)</u>	<u>156</u>

5. INCOME FROM PARTICIPATING INTERESTS

	2019 £'000	2018 £'000
Dividends from joint ventures	-	90
Interest receivable - loan stock interest	<u>794</u>	<u>544</u>
	<u>794</u>	<u>634</u>

Interserve Investments LimitedNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**6. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2019	2018
	£'000	£'000
Group interest income	<u>4,096</u>	<u>3,767</u>

7. (LOSS)/PROFIT BEFORE TAXATION

The (loss)/profit before taxation is stated after charging:

	2019	2018
	£'000	£'000
Auditors' remuneration	<u>9</u>	<u>9</u>

8. TAXATION

Analysis of tax expense	2019	2018
	£'000	£'000
Current tax:		
Corporation tax	1,868	2,621
Deferred tax - current year	<u>-</u>	<u>(2)</u>
Total tax expense in statement of total comprehensive income	<u>1,868</u>	<u>2,619</u>

Factors affecting the tax expense

The tax assessed for the year is higher (2018: lower) than the standard rate of corporation tax in the UK. The difference is explained below:

Summary	2019	2018
	£'000	£'000
(Loss)/profit before income tax	<u>(143,281)</u>	<u>17,427</u>

Summary	2019	2018
	£'000	£'000
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	(27,223)	3,311
Effects of:		
Adjustment in respect of prior periods	21	(71)
Dividends not subject to tax	-	(581)
Permanent differences	(1)	8
Transfer pricing adjustment	-	(1)
Fundamental reorganisation cost not tax deductible	<u>29,071</u>	<u>(47)</u>
Tax expense	<u>1,868</u>	<u>2,619</u>

Interserve Investments LimitedNotes to the Financial Statements - continued
for the Year Ended 31 December 2019

9. INVESTMENTS

Investment in joint venture and subsidiary undertakings

Summary	2019 £'000	2018 £'000
Investment in joint ventures	7,866	7,866
Investment in subsidiaries	<u>1</u>	<u>1</u>
	<u>7,867</u>	<u>7,867</u>

Investments in joint venture undertakings

	Shares at cost and net book value £'000	Loans £'000	Total £'000
As at 1 January and 31 December 2019	<u>1</u>	<u>7,865</u>	<u>7,866</u>

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

The 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 the United Kingdom.

Directly owned	Ordinary share capital held	Operations
Harmondsworth Detention Services Limited	49%	Holding company
Seacole National Centre (Holding) Limited	50%	Holding Company
HLR Schools Holding Company	45%	Holding Company

The company's share of the aggregate of the share capital and reserves as at 31 December 2019 and the profit or loss for the year ended on that date for the Joint Venture undertakings was as follows:

	Aggregate of share capital and reserves £'000	Share of Profit £'000
Harmondsworth Detention Services Limited	-	-
Seacole National Centre (Holding) Limited	(27)	-
HLR Schools Holding Company	225	177

Indirectly owned	Ordinary share capital held	Operations
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Interserve Investments LimitedNotes to the Financial Statements - continued
for the Year Ended 31 December 2019

Resource Recovery Solutions (Derbyshire) Holdings Limited - In Administration	50%	Holding company
Edinburgh Haymarket Developments Limited	50%	Property company
West Yorkshire PFI Operational Training & Accommodation (Holdings) Limited	50%	Holding company
Alder Hey Holdco 3 Limited	20%	Holding company
Rehab Jobfit LLP	49%	Jobseeker support

Investments in subsidiary undertakings

	Shares at cost £'000
Cost and net book value	
As at 1 January 2019	1
	<hr/>
As at 31 December 2019	1
	<hr/> <hr/>

Directly owned	Ordinary share capital held	Operations
Interserve Developments No 1 Limited	100%	Holding company
Interserve Developments No 2 Limited	100%	Holding company
Interserve Developments No 3 Limited	100%	Holding company
Interserve Developments No 4 Limited	100%	Holding company
Interserve Developments No 6 Limited	100%	Holding company
Interserve Strategic Partnerships Limited	100%	Dormant
Purple Futures LLP	80%	Holding company
Interserve Service Futures Holdings Limited	100%	Holding company
Indirectly owned	Ordinary share capital held	Operations
Interserve Service Futures Limited	100%	Holding company
Interserve Healthcare Limited	100%	Healthcare services
Interserve Working Futures Limited	100%	Jobseeker support
ESG Group plc	100%	Training and development
Interserve Healthcare Holdings Limited	100%	Holding company
Interserve Healthcare Limited	100%	Healthcare services
Montpellier Health Care Limited	100%	Healthcare services
Strand Nurses Bureau Limited	100%	Dormant
Advantage Healthcare Nursing and Care Limited	100%	Dormant
Professional Healthcare Services Limited	100%	Dormant
Advantage Healthcare Payroll Limited	100%	Dormant
Advantage Healthcare Limited	100%	Dormant
Advantage Healthcare (QHS) Limited	100%	Dormant
Advantage Healthcare (QHRS) Limited	100%	Dormant
ESG Holdings Limited	100%	Holding company
ESG Intermediate Holdings Limited	100%	Holding company
Broomco (4110) Limited	100%	Dormant
Triangle Training Limited	100%	Training and development
ESG (Saudi Arabia) LLC	100%	Training and development
Interserve Learning & Employment (Services) Limited	100%	Training and development
ILE Corporate Services Limited	100%	Training and development
Orient Gold Limited	100%	Dormant
Sencia Limited	100%	Training and development
ESG (Saudi Arabia) LLC is incorporated in Saudi Arabia. All other companies are incorporated in the United Kingdom.		

Interserve Investments LimitedNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019	2018
	£'000	£'000
Trade debtors	218	763
Amounts owed by group undertakings	7,434	160,248
Amounts owed by joint ventures	1,433	639
Deferred tax asset	<u>2</u>	<u>2</u>
	<u>9,087</u>	<u>161,652</u>

Amounts owed by group undertakings are interest free, unsecured and repayable on demand

Deferred tax asset

	2019	2018
	£'000	£'000
Accelerated capital allowances	2	2
Deferred tax asset	<u>2</u>	<u>2</u>

The movement in deferred tax in the year is:

	£'000
As at 1 January 2019	2
Profit and loss account	<u>-</u>
As at 31 December 2019	<u>2</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£'000	£'000
Trade creditors	291	630
Amounts owed to group undertakings	17,885	19,601
Corporation tax	2,293	425
Social security and other taxes	5	1,086
Accruals & Deferred income	<u>931</u>	<u>7,533</u>
	<u>21,405</u>	<u>29,275</u>

Amounts owed to group undertakings are interest free, unsecured and repayable on demand.

12. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2019	2018
Number:	Class:	Nominal value:	£'000	£'000
1,232,854	Ordinary shares	1	<u>1,233</u>	<u>1,233</u>

Interserve Investments LimitedNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**13. RESERVES**

	Retained earnings £'000	Share premium £'000	Totals £'000
At 1 January 2019	123,053	20,950	144,003
Deficit for the year	<u>(145,149)</u>	<u>-</u>	<u>(145,149)</u>
At 31 December 2019	<u>(22,096)</u>	<u>20,950</u>	<u>(1,146)</u>

14. CONTINGENT LIABILITIES

At 31 December 2019 there were contingent liabilities in respect of guarantees given in the ordinary course of business. The company has given guarantees covering banking facilities made available to the parent and fellow subsidiary undertakings. At 31 December 2019 these amounted to £323,726k (2018: £1,052,838K).

15. RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemption under FRS 101 paragraph 8(k) and not disclosed transactions with group undertakings as it is a wholly owned subsidiary of Interserve Group Limited.

The only transactions in the year with Joint Ventures related to Sub Debt Interest on the Investments and are separately disclosed in the notes.

Interserve Investments LimitedNotes to the Financial Statements - continued
for the Year Ended 31 December 2019**16. POST BALANCE SHEET EVENTS**

On 30 January 2020 the World Health Organisation declared the outbreak of coronavirus (COVID-19) a pandemic resulting in the governments of many countries, states and cities taking preventative and protective actions such as imposing restrictions on travel and business operations and advising or requiring individuals to stay at home or quarantine in cases where people have been exposed to the virus.

In an effort to mitigate the impacts of COVID-19, the Interserve Group has implemented business continuity plans with only key front line staff working in its offices and at client contract locations and as far as possible the remainder of its staff working from home which has meant that there has been limited impact on service delivery and operations.

The Group has undertaken a detailed review of the potential impacts of COVID-19 and continues to monitor future developments closely. At the date of this report the impact of COVID-19 has predominantly been short term reductions in revenues as a result of customer site closures, reductions in services and delays to commissioning of project work, partially offset by additional services requested in the health sector and some central government customers.

The Group has concluded that the coronavirus pandemic is a non-adjusting post balance sheet event in accordance with IAS 10 Events After the Reporting Period, as the significant changes in business activities and economic conditions occurred as a result of events arising after the 31 December 2019 reporting date.

On 28 February 2020, £125 million of new Group loan facilities were put in place to re-establish a stable financial platform from which to grow the business and to ensure sufficient liquidity over the medium term.

The Group experienced a cyber incident on 2 May 2020, which had a significant impact on a number of its operating IT systems with the exception of its International and Equipment Services businesses. On becoming aware of the cyber-attack the Group's crisis response was immediately launched and its business continuity plans were implemented. There has been no material impact on the provision of services to customers and as of 24 August 2020 the remediation work carried out had been completed such that the Group believes there is no residual remaining threat as a result of this incident.

The Group conducted a comprehensive investigation in to the attack and has implemented a range of remediation measures in response to the attack and has put in place a programme of additional measures to further enhance its infrastructure, systems and processes. The investigation has identified no evidence of data exfiltration having taken place.

The Group complied with its notification obligations under applicable data privacy law including the Information Commissioners Office (ICO) and is cooperating fully with the ICO's investigation. The Group understands that the ICO has indicated that it may take regulatory proceedings which may ultimately lead to a monetary penalty and or enforcement action, the results of which cannot currently be foreseen or reliably estimated.

On 5 October 2020 the Interserve Learning and Employment business was sold to Enact Fund for a nominal consideration of £1 reflecting the fact that the purchaser took on outstanding liabilities at completion.

On 30 November 2020 the sale of the majority of the Interserve Support Services business was completed for a combined consideration of £205 million comprising £120 million in cash and a 17.5% shareholding in the Mitie Group. As part of this transaction new Group funding arrangements were put in place with our lenders to provide additional liquidity to the remaining Interserve businesses.

On 1 December 2020 the sale of Interserve Healthcare to City and County Healthcare Group was completed for a consideration of £4.8 million.

Interserve Investments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

17. ULTIMATE CONTROLLING PARTY

Interserve Group Holdings Limited, a company registered in England & Wales, is the company regarded by the directors as the immediate parent company.

The company's ultimate parent company and controlling party and parent company of the smallest and largest group which includes the company for which group financial statements are prepared is Interserve Group Limited, a company incorporated in the United Kingdom and registered in England & Wales. Copies of the group financial statements of Interserve Group Limited are available from Interserve Group Limited, Capital Tower, 91 Waterloo Road, London SE1 8RT.

