

REGISTERED NUMBER: 00252221 (England and Wales)

Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 December 2019
for
Interserve Holdings Limited



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for the Year Ended 31 December 2019

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Interserve Holdings Limited

Company Information
for the Year Ended 31 December 2019

DIRECTORS:

E S Wildblood
I M Hayes
K G Hanna
O T M Templar-Coates
M N Morris

REGISTERED OFFICE:

Brickyard Road
Aldridge
Walsall
West Midlands
WS9 8BW

REGISTERED NUMBER:

00252221 (England and Wales)

AUDITORS:

Grant Thornton UK LLP
Chartered Accountants and Senior
Statutory Auditor
Gatwick
2nd Floor, St Johns House
Crawley, RH10 1HS

Strategic Report
for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is a wholly-owned direct subsidiary of Interserve Group Holdings Limited. The principal activity of the Company is that of an investment holding company. The principal subsidiary undertakings affecting the profits or net assets of the Company in the year are listed in the notes to the financial statements.

REVIEW OF BUSINESS

Interserve plc administration

On 15 March 2019, the Extraordinary General Meeting of Interserve Plc rejected the terms of the plan proposed by the Board of Directors, aimed at providing Interserve Group with sufficient liquidity to service its short-term cash obligations, strengthen the balance sheet and improve the overall financial position of the Group (the “Deleveraging Plan”). As a result, the Board of Directors of Interserve Plc applied for administration of that same company. Following the appointment of an administrator by the Court, Interserve Plc’s assets and liabilities, including all the Group’s subsidiaries, were entirely sold to the new company Interserve Group Ltd, wholly owned by Interserve Group’s existing lenders (“the Lenders”), and the mechanics of the Deleveraging Plan were implemented.

Under the terms of the Deleveraging Plan, approximately £485 million of financial liabilities owed to the Group’s lenders were exchanged for new shares in IGL. At the same time, the RMD Kwikform Group (the “RMDK Group”) was ring-fenced within the newly consolidated Group, and was allocated £350 million of the pre-existing debt (£168 million on a cash interest bearing basis and £182 million on a subordinated non-cash interest bearing basis). The debt allocated to the RMDK Group under the terms of the Deleveraging Plan is non-recourse to the rest of the restructured Group and matures in 2023.

Impact of the Deleveraging plan on Interserve Holdings Limited

The Company was allocated the £182m of subordinated non-cash interest bearing loan, which matures in 2023 along with the accrued interest.

As a result of the strategic review and restructuring of the Company following its ultimate parent company falling into administration and subsequently being acquired, a number of investments in subsidiaries of the Company on 15 March 2019 were sold/transferred to a new subsidiary RMDK BidCo Limited, a company which was incorporated on 20 February 2019.

Company business review

The directors consider that the Company's key performance indicator is profit before taxation.

The Company's profit before taxation was £569,000 (2018 Loss: £(9,526,000)).

The Company results were primarily profit the sale of investments and initial fair value adjustment on external borrowings, offset by provisions against intercompany receivable balances

The results of the Company are as set out in the financial statements, on page 9.

Strategic Report
for the Year Ended 31 December 2019

PRINCIPAL RISKS AND UNCERTAINTIES

The Company has exposure to a variety of risks which are managed with the purpose of minimising any potential adverse effect on the Company's performance and net assets. The directors have policies for managing each of these risks and they are summarised below.

Liquidity risk

The other significant asset of the Company is the receivable balance from its direct parent entity. The directors carry out reviews of the recoverability of the balance on an annual basis to determine the expected credit loss provision arising.

The Company has external debt payable which matures in 2023. The financing and liquidity of the Company is managed in conjunction with the Group treasury function.

Investment valuation

The Company faces a risk that the carrying values of its investments decline. The directors carry out reviews of the Company's operating subsidiaries on an annual basis to determine if any impairments have occurred.

The directors are satisfied that, given the nature of this Company, there are no other principal risks and uncertainties to consider. Group risks are discussed in the Annual Report and Financial Statements of Interserve Group Limited for the year ended 31 December 2019, which does not form part of this Strategic 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.

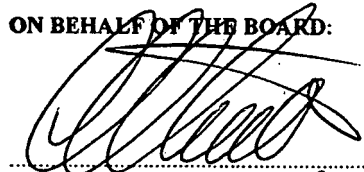
Strategic Report
for the Year Ended 31 December 2019

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.

ON BEHALF OF THE BOARD:



Director OTM TEMPLAR-COATES

Date: 25/02/2021

Report of the Directors
for the Year Ended 31 December 2019

The directors present their report with the financial statements of the Company for the year ended 31 December 2019.

The Review of Business, Going Concern statement and principal risks and uncertainties of the Company are not included within the Report of the Directors as they are shown in the Strategic Report on pages 2-4.

DIVIDENDS

No dividends were paid during the year (2018: £Nil). The directors do not recommend payment of a final dividend.

FUTURE DEVELOPMENTS

The Company intends to continue operating as a non-trading holding company.

EVENTS SINCE THE END OF THE YEAR

Covid-19 pandemic

The Company is part of the RMDK Group and wider Interserve Group, however is a non-trading holding company. The following disclosure should be taken in that context and refers mainly to the trading entities of the group, of which Interserve Holdings Limited is an indirect parent company.

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.

RMDK Group and the wider Interserve Group, have implemented business continuity plans with only key front line staff working in its offices and yard 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 RMDK 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 revenue as a result of customer site closures, delays to the commissioning of project work, both in the public and private sector. Which has been offset to the degree possible by cost management in the business.

The Company has concluded that the coronavirus pandemic is a non-adjusting post balance sheet event in accordance with the guidance set out in IAS 10 - Events After the Reporting date, as the significant changes in business activities and economic conditions occurred as a result of events arising after the 31 December 2019 reporting date. As disclosed in note 9, the Directors have performed an updated assessment of the carrying value of investments and concluded there is one potential impairment to disclose as a result of the market conditions due to Covid-19.

Cyber attack

At the end of November 2020, the RMDK Group, which had not been affected by the May 2020 cyber attack on the Interserve Group, was subject to a separate but much more limited attack which caused some disruption to their normal operations. The Group's Crisis Response was swiftly implemented and the impact was contained. RMDK's investigation of the cyber attack is ongoing and it has complied with its notification obligations under applicable data privacy law including to the ICO. It is too early at this stage to say what if any action may be taken by the ICO.

DIRECTORS

The following people who have been directors throughout the year and up to the date of this report are set out below:

A K Smythe – resigned 15/3/2019
A J McDonald – resigned 15/11/2019
D J White – appointed 15/03/2019 and resigned 31/12/2019
E S Wildblood – appointed 15/03/2019
K G Hanna – appointed 02/09/2019
I M Hayes – appointed 15/11/2019
O T M Templar-Coates – appointed 15/11/2019

M N Morris was appointed as director after 31 December 2019 but prior to the date of this report.

Report of the Directors
for the Year Ended 31 December 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report and the Report of the Directors 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 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;
- 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.


AUDITORS

The auditors, Grant Thornton UK LLP, were re-appointed following the Annual General Meeting to conduct the audit for the period ending 31 December 2020.

APPROVED BY THE BOARD OF DIRECTORS:

Director

Date:


.....
Date: 25/02/2021 O TM TEMPLAR-COATES

Independent Auditors' Report to the Members of
Interserve Holdings Limited

Opinion

We have audited the financial statements of Interserve Holdings Limited (the 'Company') for the year ended 31 December 2019, which comprise the statement of comprehensive income, balance sheet, 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 the company's 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 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, 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 strategic report and the directors report but does not include 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 Holdings 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 6, 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.

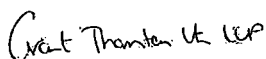
Auditor's responsibilities for the audit of the financial statements

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.



Jonathan Maile BSc (Hons) FCA (Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP
Chartered Accountants and Senior
Statutory Auditor
Crawley
United Kingdom
Date: 25 February 2021

Statement of Comprehensive Income
for the Year Ended 31 December 2019

	Notes	2019 £'000	2018 £'000
TURNOVER		<u>-</u>	<u>-</u>
OPERATING PROFIT		-	-
Exceptional items	4	<u>(68,853)</u>	<u>(9,527)</u>
OPERATING (LOSS)/PROFIT AFTER EXCEPTIONAL ITEMS		(68,853)	(9,527)
Exceptional Financing item	4	75,734	-
Interest receivable and similar income	5	14,816	1
Interest payable and similar expenses	6	<u>(21,128)</u>	<u>-</u>
PROFIT/(LOSS) BEFORE TAXATION	7	569	(9,526)
Tax on profit/(loss)	8	<u>(659)</u>	<u>(166)</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		(90)	(9,692)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>(90)</u></u>	<u><u>(9,692)</u></u>

All activities relate to continuing operations.

Interserve Holdings Limited (Registered number: 00252221)

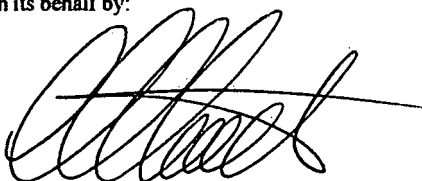
Balance Sheet
31 December 2019

	Notes	2019 £'000	2018 £'000
FIXED ASSETS			
Investments	9	122,185	44,113
CURRENT ASSETS			
Debtors	10	705	827
Cash in hand		<u>3</u>	<u>37</u>
		708	864
CREDITORS			
Amounts falling due within one year	11	<u>(836)</u>	<u>(50,058)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>(128)</u>	<u>(49,194)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		122,057	(5,081)
CREDITORS			
Amounts falling due after more than one year	12	<u>(127,228)</u>	-
NET ASSETS/(LIABILITIES)		<u>(5,171)</u>	<u>(5,081)</u>
CAPITAL AND RESERVES			
Called up share capital	14	3,940	3,940
Share premium		324	324
Retained earnings		<u>(9,435)</u>	<u>(9,345)</u>
SHAREHOLDERS' FUNDS		<u>(5,171)</u>	<u>(5,081)</u>

The financial statements were approved by the Board of Directors and authorised for issue on ...25/02/2021... and were signed on its behalf by:

Director

Date



OTM TEMPLAR-COATES

25/02/2021.

The notes form part of these financial statements

Statement 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	3,940	347	324	4,611
Changes in equity				
Total comprehensive income	<u>-</u>	<u>(9,692)</u>	<u>-</u>	<u>(9,692)</u>
Balance at 31 December 2018	<u>3,940</u>	<u>(9,345)</u>	<u>324</u>	<u>(5,081)</u>
Changes in equity				
Total comprehensive income	<u>-</u>	<u>(90)</u>	<u>-</u>	<u>(90)</u>
Balance at 31 December 2019	<u>3,940</u>	<u>(9,435)</u>	<u>324</u>	<u>(5,171)</u>

The notes form part of these financial statements

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

1. STATUTORY INFORMATION

Interserve Holdings Limited is a private company, limited by shares, registered in England and Wales and bound by the Companies Act 2006. The Company's registered number and registered office address can be found on the Company Information page. The Group accounts can be obtained from the same address.

2. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006.

The Company's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£'000) except when indicated otherwise.

The Company's financial statements are included in the Interserve Group Ltd consolidated financial statements for the year ended 31 December 2019. The Company is exempt, under Section 400 of the Companies Act 2006, from the preparation of consolidated financial statements because it is included in the Annual Report and Financial Statements of the Group. These financial statements are separate 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.

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.

2. ACCOUNTING POLICIES (continued)

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.

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.

2. ACCOUNTING POLICIES (continued)

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.

Adoption of new and revised standards

IFRS 16 Leases replaces IAS 17 Leases along with three Interpretations (IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases-Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease).

The directors have considered the new standard and concluded that the company does not have any leases or contracts where the company is the lessor or lessee. Hence the new standard has no impact on the financial statements.

IFRIC 23 'Uncertainty over Income tax treatments' was issued, given the nature of this Company and its trading then it is not considered to have a material impact on the financial statements.

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

2. ACCOUNTING POLICIES - continued

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirements of paragraph 58 of IFRS 16;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

Taxation

Current tax, including UK corporation tax 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. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of 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.

Current tax

Current tax is recognised in the Statement of Comprehensive Income, except when it relates to items that are recognised in other comprehensive income, in which case, the current tax is also recognised in other comprehensive income.

Investments in subsidiaries and associates

Investments are stated at cost less provision for any impairment at the balance sheet date.

Finance costs

Borrowing costs are recognised in the income statement using the effective interest method.

Dividend income

Dividend income from investments is recognised when received.

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

2. ACCOUNTING POLICIES - continued

Financial instruments

Assets held at amortised cost - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through loans to subsidiary undertakings and deposits held at banks but may also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost as reduced by appropriate allowances for estimated unrecoverable amounts. The Company records the loss allowance as lifetime expected credit losses. These are expected shortfalls in contractual cash flows, considering the potential for default at any point during the lifetime of the financial instrument. The Company uses its historical experience, external indicators and forward-looking information when measuring credit risk and expected credit losses.

The Company assesses the impairment of trade receivables on an individual basis, as they possess specific credit risk characteristics.

Assets held at amortised cost in the company includes loans issued to other group companies. They are initially recognised at fair value less transaction costs that are directly attributable and subsequently at amortised cost reduced by appropriate allowances for credit losses.

For loans with other group companies that are repayable on demand, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date in accordance with IFRS 9.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits and other short-term highly-liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank and other borrowings

Interest-bearing bank loans and overdrafts are recorded at the fair value of proceeds received, net of direct issue costs. Any difference between the proceeds and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Payment in kind interest (PIK) is accrued quarterly and capitalised within the principal loan balance. Subsequent to initial recognition borrowings are measured at amortised cost using the effective interest method.

Creditors

Creditors are initially measured at fair value and subsequently measured at amortised cost.

Equity instruments

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using an appropriate rate that takes into account the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

2. ACCOUNTING POLICIES - continued

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revisions affect only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no critical judgements, apart from those involving estimates (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of investments in subsidiaries

Determining whether the Company's investments in subsidiaries have been impaired requires judgement. In making these judgements, net assets of subsidiaries at the balance sheet date and Board-approved budgets for the next three years are taken into consideration. The carrying amount of the investments in subsidiaries and associates at the balance sheet date was £122.2 million (2018: £44.1 million) with £nil (2018: £7m) of impairment losses recognised in 2019.

Credit loss provisions

Determining the recoverable value of intercompany loans requires judgment. In making these judgments the expected cash flow of the owing entity is considered based on Board-approved budgets. The carrying value of £0.7 million at 31 December 2019 includes provisions of £283.4 million.

Valuation of external debt at inception

In 2019, the Company took on £182m of external debt, an external valuation carried out by our advisors PWC resulted in a fair value of £107m. As part of that review the discounted cash flows, applicable yield and risk were all considered by PWC and the directors to arrive at the fair value. Inherently the inputs into the fair value model are subject to judgement and estimation uncertainty. As a result, a different set of judgements and estimates could have led to a materially different estimate of the fair value of the debt at the date it was taken on by the company

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

3. EMPLOYEES AND DIRECTORS

There are no employees other than the directors (2018: nil).

There are no directors to whom retirement benefits are accruing in respect of qualifying service under money purchase schemes or defined benefit schemes.

	2019	2018
	£	£
Directors' remuneration	<u>-</u>	<u>-</u>

None of the directors are remunerated by the company and are paid by other Interserve group companies.

4. EXCEPTIONAL ITEMS

	2019	2018
	£'000	£'000
Profit/(loss) on investments (see note 9)	215,584	(6,988)
Impairment of Investment Loan (see note 9)	(1,039)	(2,539)
Write off intercompany balances	(27)	-
Provision on amounts owed by group undertakings (see note 10)	<u>(283,371)</u>	<u>-</u>
	(68,853)	(9,527)
Fair value adjustment on external borrowings (see note 13)	75,734	-

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

5. **INTEREST RECEIVABLE AND SIMILAR INCOME**

	2019 £'000	2018 £'000
Bank interest	-	1
Interest receivable from group undertakings	<u>14,816</u>	<u>-</u>
	<u>14,816</u>	<u>1</u>

6. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	2019 £'000	2018 £'000
PIK Interest Charge	11,347	-
Amortisation of discount on debt	<u>9,781</u>	<u>-</u>
	<u>21,128</u>	<u>-</u>

7. **PROFIT/(LOSS) BEFORE TAXATION**

The audit fee of £1,000 (2018: £1,000) for the current and preceding year was borne by the ultimate parent company.

8. **TAXATION**

Analysis of tax expense

	2019 £'000	2018 £'000
Current tax:		
Corporation tax	659	-
Prior year tax adjustment	<u>-</u>	<u>166</u>
Total tax expense in statement of comprehensive income	<u>659</u>	<u>166</u>

Factors affecting the tax expense

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

	2019 £'000	2018 £'000
Profit/(loss) before income tax	<u>569</u>	<u>(9,526)</u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	108	(1,810)
Effects of:		
Non-taxable & Non-deductible items	733	1,810
Fair value adjustments relating to refinancing	39,451	-
Profit on disposal of subsidiaries	(39,633)	-
Prior year adjustment	<u>-</u>	<u>166</u>
Tax (income)/expense	<u>659</u>	<u>166</u>

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

9. INVESTMENTS

	2019	2018
	£'000	£'000
Shares in group undertakings	115,629	37,557
Interest in associates	18	18
Loans to associates	<u>6,538</u>	<u>6,538</u>
	<u>122,185</u>	<u>44,113</u>

Additional information is as follows:

	Shares in group undertakings £'000	Interest in associates £'000	Totals £'000
COST			
At 1 January 2019	45,934	18	45,952
Additions	110,984	-	110,984
Disposals	<u>(41,289)</u>	<u>-</u>	<u>(41,289)</u>
At 31 December 2019	<u>115,629</u>	<u>18</u>	<u>115,647</u>
PROVISIONS			
At 1 January 2019	8,377	-	8,377
Provision written back on disposal	<u>(8,377)</u>	<u>-</u>	<u>(8,377)</u>
Impairments	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2019	<u>-</u>	<u>-</u>	<u>-</u>
NET BOOK VALUE			
At 31 December 2019	<u>115,629</u>	<u>18</u>	<u>115,647</u>
At 31 December 2018	<u>37,557</u>	<u>18</u>	<u>37,575</u>

The movements in Shares in Group undertakings are outlined below:

As a result of the strategic review and restructuring of the Company following its ultimate parent company falling into administration and subsequently being acquired, the majority investments in subsidiaries of the Company on 15 March 2019 were sold/transferred to a new subsidiary, RMDK BidCo Limited, a company which was incorporated on 20 February 2019. RMDK BidCo Limited is a wholly-owned subsidiary of RMDK FinCo Limited. RMDK FinCo Limited is a wholly-owned subsidiary of RMDK HoldCo Limited. RMDK HoldCo Limited is a wholly-owned subsidiary of the Company.

Additions are in relation to the Company's holding in RMDK HoldCo Limited. Investments in subsidiary and associated undertakings have been accounted for at cost.

Disposals are in relation to the transfer of subsidiaries from the Company to RMDK BidCo Limited, the profit on disposal as recognised as an exceptional item.

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

9. **INVESTMENTS - continued**

Impairment of investments

In the opinion of the Directors, the aggregate value of the investments in subsidiary undertakings is not less than the total amount at which they are stated in the statement of financial position.

The company tests annually for impairment against investments held.

The recoverable amounts of the Cash Generating Units (CGU's) are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in direct costs are based on past practices and expectations of future changes in the market.

The Company has conducted a sensitivity analysis on the impairment test of each CGU.

The Company prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next three years and extrapolates cash flows for the following three years based on an estimated growth rate of 2% (2018: 2%). This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows is 12.0% (2018: 11.8%). If the discount rate were decreased by one percentage point to 11.0% then the impairment would not change. If the discount rate were increased by one percentage point to 13.0% then the impairment would not change.

As stated in note 18, the Covid-19 pandemic is considered a non-adjusting post balance sheet event. The Directors have completed an assessment of the carrying value of investments based on the latest financial forecasts. The assessment has identified one potential impairment for disclosure, being an impairment of £4m on the investment in RMD Kwikform Saudi Arabia LLC, due to the deterioration of trading conditions in Saudi Arabia.

DIRECT INVESTMENTS	Principal Activity	Ref	Registered Holding
RMDK Holdco Limited	Holding Company	A	100.00%
RMD Kwikform (Al Maha) Qatar WLL ¹	Equipment hire and sales	B	49.00%
RMD Kwikform Saudi Arabia LLC ¹	Equipment hire and sales	C	74.90%
United Industrial Services WLL ²	Holding Company	D	49.00%

¹ The Company has the right to appoint and remove the Manager and therefore exercises dominant influence and control over the investment company. It is therefore considered a wholly-owned subsidiary undertaking.

² Accounted for as an Associate.

Registered Office

A	Brickyard Road, Aldridge, Walsall, West Midlands, WS9 8BW, United Kingdom
B	Building No. 148, 2nd floor Zone No. 40, Al Muntazah Street, (next to Qatar Chamber of Commerce) Doha, Qatar
C	PO Box 921, Al Khobar 31952, Entrance 1 North 2nd Floor, Room 4A, Gulf Star Building, Prince Turki Abdulaziz Street, Corniche Al Khobar 31952, Kingdom of Saudi Arabia
D	PO Box 22715, Doha, Qatar

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

9. **INVESTMENTS - continued**

INDIRECT INVESTMENTS	Principal Activity	Ref	Registered Holding
RMDK Finco Limited	Holding Company	A	100.00%
RMDK Bidco Limited	Holding Company	A	100.00%
RMD Kwikform Holdings Limited	Holding Company	A	100.00%
PT Rapid Metal Development Indonesia	Non-trading Company	B	100.00%
Rapid Metal (South Africa) (Proprietary) Ltd	Equipment hire and sales	C	100.00%
Rapid Metal Developments (NZ) Ltd	Equipment hire and sales	D	100.00%
RMD Kwikform Limited	Equipment hire and sales	A	100.00%
Rapid Metal Developments (Australia) Proprietary Ltd	Equipment hire and sales	E	100.00%
RMD Kwikform Ireland Ltd	Equipment hire and sales	F	100.00%
RMD Kwikform Hong Kong Ltd	Equipment hire and sales	G	100.00%
Rapid Metal Developments Ltd	Dormant Company	A	100.00%
RMD Kwikform Chile SA	Equipment hire and sales	H	100.00%
RMD Kwikform Philippines, Inc	Equipment hire and sales	I	100.00%
RMD Kwikform Peru SAC	Equipment hire and sales	J	100.00%
RMD Kwikform Almoayed Bahrain WLL	Equipment hire and sales	K	49.00%
RMD Kwikform Oil & Gas Services LLC	Equipment hire and sales	L	49.00%
RMD Kwikform Singapore PTE Ltd	Non-trading Company	M	100.00%
RMD Kwikform Oman LLC	Equipment hire and sales	N	70.00%
RMD Kwikform North America Holdings Inc.	Holding Company	O	100.00%
RMD Colombia SAS	Equipment hire and sales	P	100.00%
RMD Kwikform Middle East LLC	Equipment hire and sales	Q	49.00%
RMD India Private Ltd	Equipment hire and sales	R	100.00%
RMD Kwikform Guam, LLC	Equipment hire and sales	S	100.00%
RMD Kwikform North America Inc	Equipment hire and sales	O	100.00%

Registered Office

A	Brickyard Road, Aldridge, Walsall, West Midlands, WS9 8BW, United Kingdom
B	2nd Floor, Suite 202B, Wisma Pondok Indah, Jl. Sultan Iskandar Muda V-TA, Pondok Indah, Jakarta
C	52 Jakaranda Street Plot 22 Hennospark X5 Pretoria 0001 South Africa
D	101 Station Road, Otahuhu, Auckland
E	66 Bennet Ave, Melrose Park, SA 5039A
F	Ballyboggan Road, Finglas, Dublin 11
G	3806 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
H	La Estera N°811, Valle Grande, Comuna de Lampa, Santiago de Chile, Chile 9390433
I	Unit 2406-09 Raffles Corporate Center, Emerald Avenue, Ortigas Center, Pasig City Metrol Manila, Philippines
J	Calle Los Zorzales N. 160, Distrito de San Isidro, Lima, Peru
K	Flat 34, Building 5, Road 3001, Block 330, Manama, Kingdom of Bahrain
L	Office No.W705, Level 7, West Tower, Trade Centre Towers, Abu Dhabi, UAE
M	77 Robinson Road #13-00 Robinson 77 Singapore 068896
N	PO Box 152, Postal Code 103, Villa 308-A, Way No. 48, Al Azaiba, Muscat, Sultanate of Oman
O	251 Little Falls Drive, Wilimington, De 19808, USA
P	Calle 98, No18-71 of 805, Bogota, Colombia
Q	PO Box 5801, Office Nos. 103 & 203 Khansaheb Building., Jamal Abdul Nasser Street, Al Majaz 2 Area, Sharjah, UAE
R	407-A6, Ansal Chamber – II, Bhikaji Cama Place, New Delhi 110066
S	Suite 101, Orelan Pacific Plaza, 865 South Marine Corps Drive, Tamuning 96913, Guam

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

9. **INVESTMENTS - continued**

	Loans to associates £'000
At 1 January 2019	6,538
Amounts loaned to associates in the period	1,039
Impairment	<u>(1,039)</u>
At 31 December 2019	<u>6,538</u>

The impairment in the year reflects an assessment of the recoverable value of the loan to the associate.

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

10. **DEBTORS**

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Intra Group trade balances	705	705
Corporation tax	-	122
	<u>705</u>	<u>827</u>
Amounts falling due after more than one year:		
Amounts owed by Group undertakings	283,371	-
Provision	(283,371)	-
Net amounts owed by Group undertakings	<u>-</u>	<u>-</u>
Aggregate amounts	<u>705</u>	<u>827</u>

The intra Group trade balances are due within one year, incur no interest, and are repayable on demand.

The Amounts owed by Group undertakings due in more than one year are due from the immediate parent company, Interserve Group Holdings Limited and are at 6% Payment in Kind interest rate. The balance represents debt and associated interest payable due in 2044.

The Directors have performed an assessment of the future cash flows of the owing company and concluded that the carrying value of the receivable balance is nil. A provision has been recognised accordingly.

11. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019 £'000	2018 £'000
Amounts owed to group undertakings	-	49,653
Intra Group trade balances	405	405
Corporation tax	431	-
	<u>836</u>	<u>50,058</u>

The intercompany trade balances incur no interest and are repayable on demand.

The amounts owed to Group undertakings disclosed as due within one year are loans with no agreement in place and are therefore repayable on demand.

12. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2019 £'000	2018 £'000
External borrowings (see note 13)	127,128	-
Amounts owed to Group undertakings	100	-
	<u>127,228</u>	<u>-</u>

The intercompany loan facility is due in three years of the balance sheet date.

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

13. **FINANCIAL LIABILITIES - BORROWINGS**

	2019 £'000	2018 £'000
	Amortised cost	Amortised cost
External borrowings (PIK Loan)	115,781	-
Capitalised PIK interest	<u>11,347</u>	<u>-</u>
	<u>127,128</u>	<u>-</u>

On 15 March 2019 the Interserve Group completed a comprehensive restructuring (the Deleveraging Plan). Under the terms of the Deleveraging Plan, the RMD Kwikform Group (the "RMDK Group") was ring-fenced within the newly consolidated Group, and was allocated £350 million of the pre-existing debt (£168 million on a cash interest bearing basis and £182 million on a subordinated non-cash interest bearing basis).

Interserve Holdings Limited was allocated the £181.7 million loan facility with a payment in kind (PIK) interest margin attached of 10.0%, which is scheduled to mature on 15 March 2023.

At 15 March 2019 an independent valuation of the Group's refinanced debt was carried out by our advisers, PwC, which resulted in a discount being made to the carrying value of the £181.7 million of Interserve Holdings debt of £75.7m million. The discount on this debt has subsequently been measured at amortised cost and is being released to the income statement at an effective interest rate over the term of the underlying loan. At 31 December 2019, the remaining unamortised discount on outstanding borrowings remaining was £66.0 million, with £15.3 million of the remaining discount expected to unwind within one year, £19.3 million between one and two years and £31.4 million between two and five years.

Total borrowings are repayable as follows:

	2019 £'000	2018 £'000
On demand or within one year	-	-
In the second year	-	-
In the third to fifth years inclusive	193,081	-
After more than five years	<u>-</u>	<u>-</u>
	193,081	-
Adjustment for discount on debt (see above)	<u>(65,953)</u>	<u>-</u>
	<u>127,128</u>	<u>-</u>

The Company has no other undrawn committed bank or borrowing facilities.

It is anticipated that the interest expense in 2020 will be approximately £33.1 million (£17.8 million PIK interest and £15.3 million amortisation of discount), of which there will be no cash interest.

The borrowings are subject to financial covenants, the net leverage for the RMD facilities are first due to be tested in December 2021 and the test level ranges from 5.2 times in 2020 and decreasing to 4.5 times in 2022.

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

14. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				
Number:	Class:	Nominal	2019	2018
		value:	£'000	£'000
15,761,018	Ordinary	25p	<u>3,940</u>	<u>3,940</u>

The authorised ordinary share capital is unlimited. Each ordinary share entitles the holder to 1 vote per share and all shares have the same rights.

15. CONTINGENT LIABILITIES

In prior year, in the ordinary course of business the Company has given guarantees covering bank overdrafts to its fellow subsidiary undertakings (2018: £1,035,544k), no such guarantee exists in 2019.

In March 2019, as a result of the Deleveraging Plan, RMDK Group was allocated a total of £350 million of ring-fenced debt with non-recourse to the rest of the Interserve Group, which the Company has a contingent liability for, as the holder for £385 million (which includes associated interest).

16. RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemption contained in paragraph 8(k) of FRS 101 "Reduced Disclosure Framework" not to report transactions with other wholly-owned Group companies.

17. ULTIMATE CONTROLLING PARTY

The Company's immediate parent company is Interserve Group Holdings Limited, a company registered in England and Wales.

As at 31 December 2019, Interserve Group Limited, a company registered in England and Wales was the company regarded by the directors as the ultimate parent company and controlling party and was the smallest and largest group for which group financial statements were prepared. A copy of the financial statements of Interserve Group Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

18. EVENTS SINCE THE END OF THE YEAR

Covid-19 pandemic

The Company is part of the RMDK Group and wider Interserve Group, however is a non-trading holding company. The following disclosure should be taken in that context and refers mainly to the trading entities of the group, of which Interserve Holdings Limited is an indirect parent company.

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.

RMDK Group and the wider Interserve Group, have implemented business continuity plans with only key front line staff working in its offices and yard 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 RMDK 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 revenue as a result of customer site closures, delays to the commissioning of project work, both in the public and private sector. Which has been offset to the degree possible by cost management in the business.

The Company has concluded that the coronavirus pandemic is a non-adjusting post balance sheet event in accordance with the guidance set out in IAS 10 - Events After the Reporting date, as the significant changes in business activities and economic conditions occurred as a result of events arising after the 31 December 2019 reporting date. As disclosed in note 9, the Directors have performed an updated assessment of the carrying value of investments and concluded there is one potential impairment to disclose as a result of the market conditions due to Covid-19.

Cyber attack

At the end of November 2020, the RMDK Group, which had not been affected by the May 2020 cyber attack on the Interserve Group, was subject to a separate but much more limited attack which caused some disruption to their normal operations. The Group's Crisis Response was swiftly implemented and the impact was contained. RMDK's investigation of the cyber attack is ongoing and it has complied with its notification obligations under applicable data privacy law including to the ICO. It is too early at this stage to say what if any action may be taken by the ICO.