

Company Registration Number 954121

INTERSERVE (FACILITIES SERVICES-SLOUGH) LTD

Report and Financial Statements

31 March 2006

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INTERSERVE (FACILITIES SERVICES-SLOUGH) LTD

REPORT AND FINANCIAL STATEMENTS 2006

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INTERSERVE (FACILITIES SERVICES-SLOUGH) LTD

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

B W Spencer
J M Thompson
S T Ashdown
M Darroch
B Melizan

SECRETARY

W L Spencer (resigned on 5 January 2007)
S Lawrence (appointed on 5 January 2007)

REGISTERED OFFICE

Capital Tower
91 Waterloo Road
London
SE1 8RT

AUDITORS

Deloitte & Touche LLP
Bristol

INTERSERVE (FACILITIES SERVICES-SLOUGH) LTD

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 March 2006.

PRINCIPAL ACTIVITY

The principal activity of the company is the provision of comprehensive management and maintenance services. The directors expect that this will continue to be the principal activity of the company for the foreseeable future.

BUSINESS REVIEW

The results for the period ended 31 March 2006 are set out in the financial statements on pages 7 to 21. No dividend for the period is proposed (2005: nil).

The contract with Slough Borough Council has shown continued improvement during the year. We have consistently delivered performance in excess of targets, and, if we disregard the £920,000 one-off claim income recognised in the prior year, we have generated substantial growth in turnover and gross margins across all services. There have been notable increases in the level of works performed in the areas of Aids & Adaptations and Internal Decorations, along with faster turnaround of Void properties despite an increase in volume.

We continue to strive for further improvements and are constantly looking at ways to develop our service and help our client achieve their two-star rating required to release considerable additional government funding.

The directors expect the general level of activity to remain at current levels for the foreseeable future.

No significant post balance sheet events have been noted.

FINANCIAL RISK MANAGEMENT

The company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance. The board has policies for managing each of these risks and they are summarised below:

Inflation risk

The company's project revenue and most of its costs were linked to inflation at the inception of the project, resulting in the project being largely insensitive to inflation.

Liquidity risk

The company adopts a prudent approach to liquidity management by maintaining sufficient cash and liquid resources to meet its obligations. Due to the nature of the project cash flows are reasonably predictable and so this is not a major risk area for the company.

Credit risk

The company receives the bulk of its revenue from a government department and therefore is not exposed to significant credit risk.

INTERSERVE (FACILITIES SERVICES-SLOUGH) LTD

DIRECTORS AND THEIR INTERESTS

The directors who served during the period were as follows:

S S Maroli	(resigned 4 January 2006)
B W Spencer	
J M Thompson	
S T Ashdown	
P F Ford	(resigned 1 April 2005)
M Darroch, Non Executive	
S Laird, Non Executive	(resigned on 31 July 2005)
M Swinyard, Non Executive	(resigned on 31 July 2005)
B Melizan	(appointed 5 January 2006)

The interests of the directors, who were in office at the year end at 31 March 2005, or date of appointment and 31 March 2006, in the share capital of the ultimate parent undertaking Interserve Plc are as stated below. No director had any interests in the share capital of the company or any other group company.

	Shares of 10p each		Options over shares of 10p each				Exercise price p	Period of exercise
	1 April 2005 *	31 March 2006	1 April 2005 *	Granted during year	Lapsed during year	31 March 2006		
B W Spencer	-	-	1,705	-	-	1,705	566.5	19 Mar 05 to 18 Mar 09
B W Spencer	-	-	241	-	(241)	-	441.0	1 Jun 05 to 30 Nov 05
B W Spencer	-	-	5,295	-	-	5,295	566.5	19 Mar 05 to 18 Mar 12
B W Spencer	-	-	28,000	-	-	28,000	253.3	26 May 07 to 25 May 14
B W Spencer	-	-	34,787	-	-	34,787	359.3	14 Mar 08 to 13 Mar 15
J M Thompson	-	-	20,000	-	-	20,000	253.3	26 May 07 to 25 May 14
J M Thompson	-	-	27,830	-	-	27,830	359.3	14 Mar 08 to 13 Mar 15
M Darroch	515,309	515,309	5,529	-	-	5,529	542.5	26 Mar 04 to 25 Mar 11
M Darroch	-	-	24,471	-	-	24,471	542.5	26 Mar 04 to 25 Mar 08
B Melizan	-	-	75,000	-	-	75,000	253.25	26 May 07 to 25 May 14
B Melizan	-	-	75,140	-	-	75,140	359.3	14 Mar 08 to 13 Mar 15

* Or date of appointment

The market price of Interserve Plc shares at 31 March 2006 was 382.00p (2005: 343.00p). The high/low during the year was 397.00p (2005: 361.00p) and 325.00p (2005: 238.00p).

EMPLOYEES

The company's management policy seeks to ensure that all employees' careers are determined solely on merit. No employee will suffer because of gender, race, ethnic origin or religious belief.

It is the company's policy to consider for employment and enable suitably qualified disabled persons to seek and maintain employment and to assist them in overcoming their handicaps at work. The company recognises that special conditions are necessary in view of the nature of its main activities to ensure that disabled persons employed are properly trained for the tasks they perform.

Managers are tasked with developing employees' awareness of factors affecting the business and matters concerning them as employees and noting employees' views so they can be taken into account when making decisions which may affect them or the business.

INTERSERVE (FACILITIES SERVICES-SLOUGH) LTD

DIRECTORS' REPORT (continued)

AUDITORS

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

- (1) *so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and*
- (2) *the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.*

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

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

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



J M Thompson
Director

INTERSERVE (FACILITIES SERVICES-SLOUGH) LTD

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report including the financial statements. The directors have chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view, in accordance with UK GAAP, of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
INTERSERVE (FACILITIES SERVICES-SLOUGH) LTD**

We have audited the financial statements of Interserve (Facilities Services-Slough) Limited for the year ended 31 March 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion


We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- ☐ the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the company's affairs as at 31 March 2006 and of its loss for the year then ended;
- ☐ the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- ☐ the directors' report is consistent with the financial statements.


DELOITTE & TOUCHE LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

31 January 2007

INTERSERVE (FACILITIES SERVICES-SLOUGH) LTD

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2006

	<i>Note</i>	2006 £'000	2005 (restated) £'000
TURNOVER	1	7,771	8,130
Cost of sales		(6,707)	(7,094)
GROSS PROFIT		1,064	1,036
Administrative expenses		(1,265)	(1,260)
OPERATING LOSS	2	(201)	(224)
Net interest payable	4	(62)	(211)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(263)	(435)
Tax credit on loss on ordinary activities	5	159	153
LOSS FOR THE FINANCIAL YEAR	11	(104)	(282)

All results derive from continuing operations.

INTERSERVE (FACILITIES SERVICES-SLOUGH) LTD

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 March 2006

	2006	2005
	£'000	(restated)
		£'000
Loss for the financial year	(104)	(282)
Actuarial (loss)/gain relating to the pension scheme liability	(302)	1,076
Deferred tax attributable to actuarial loss/(gain)	91	(323)
Total recognised gains and losses relating to the year	(315)	471
Prior year adjustment in respect of 2005 (note 14)	648	
Prior year adjustment in respect of periods prior to 31 March 2004 (note 14)	(1,339)	
Total gains and losses recognised since last annual report and financial statements	(1,006)	

The statement of total recognised gains and losses for the period ended 31 March 2005 has been restated for the adoption of FRS 17.

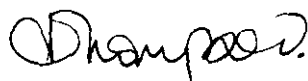
INTERSERVE (FACILITIES SERVICES-SLOUGH) LTD

BALANCE SHEET
At 31 March 2006

	Note	2006		2005 (restated)	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	6		-		3
CURRENT ASSETS					
Stock		139		118	
Debtors	7	1,078		2,646	
Cash at bank and in hand		1,257		1,877	
		<u>2,474</u>		<u>4,641</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	<u>(4,394)</u>		<u>(6,477)</u>	
NET CURRENT LIABILITIES			<u>(1,920)</u>		<u>(1,836)</u>
NET LIABILITIES EXCLUDING PENSION LIABILITY			<u>(1,920)</u>		<u>(1,833)</u>
PENSION LIABILITY	13		<u>(919)</u>		<u>(691)</u>
NET LIABILITIES INCLUDING PENSION LIABILITY			<u><u>(2,839)</u></u>		<u><u>(2,524)</u></u>
SHARE CAPITAL AND RESERVES					
Called up share capital	10		-		-
Profit and loss account	11		<u>(2,839)</u>		<u>(2,524)</u>
TOTAL SHAREHOLDERS' DEFICIT	11		<u><u>(2,839)</u></u>		<u><u>(2,524)</u></u>

These financial statements were approved by the Board of Directors on 30 January 2007

Signed on behalf of the Board of Directors



J M Thompson
Director

INTERSERVE (FACILITIES SERVICES-SLOUGH) LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

1. ACCOUNTING POLICIES

These financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Change in accounting policy

The financial statements for the year ended 31 March 2006 have been drawn up using the same accounting policies as for the year ended 31 March 2005 subject to the adoption of FRS 17 'Retirement benefits', FRS 21 'Events after the balance sheet date' and FRS 25 'Financial instruments'.

The adoption of FRS 21 and FRS 25 has had no impact on the financial statements of the company.

Adoption of FRS 17 - Retirement benefits

The effect of adopting FRS 17, and therefore recognising Interserve (Facilities Services-Slough) Limited's share of the pension scheme deficit for the Royal County of Berkshire Pension Scheme, has increased the company's retained loss for the year ended 31 March 2006 and the year ended 31 March 2005 by £17,000 and £105,000 respectively. The company's net liabilities at 31 March 2006 and 31 March 2005 have increased by £919,000 and £691,000 respectively (see note 13).

Turnover

The activities of the company are regarded by the directors as a single class of business and are all performed in the United Kingdom. Revenue is recognised on the provision of contracted services.

Turnover represents sales and value of work done excluding VAT.

Accrued income

Turnover is ascertained in a manner appropriate to the stage of completion of the work performed and credit taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty. Accrued income is stated at cost plus attributable profit less provision for any known or anticipated losses.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation of fixed assets is calculated to write-off their cost less any residual value over their estimated useful lives as follows:

Fixtures, fittings and equipment	15%
----------------------------------	-----

Stocks

Stocks are stated at the lower of cost and net realisable value.

Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

INTERSERVE (FACILITIES SERVICES-SLOUGH) LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

1. ACCOUNTING POLICIES (continued)

Pensions

For the defined benefit scheme the amount charged to operating profit is the current service cost and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For the defined contribution scheme 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. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

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 substantially enacted by the balance sheet date.

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

2. OPERATING LOSS

	2006	2005
	£'000	£'000
Operating loss is stated after charging:		
Rentals under operating leases:		
- plant and machinery	165	191
- other	140	119
Depreciation	3	8

Auditors' remuneration in the current and prior period is borne by another group undertaking.

INTERSERVE (FACILITIES SERVICES-SLOUGH) LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Messrs Ford, Maroli, Darroch and Swinyard were remunerated for their services to the group by Interserve *fm* Ltd and it is not practicable to allocate their remuneration between the companies of which they are directors. S Laird receives no remuneration.

	2006	2005
	£'000	£'000
Staff costs during the period (including directors):		
Wages and salaries	3,778	4,031
Social security costs	246	253
Other pension costs	210	237
	<u>4,234</u>	<u>4,521</u>
	No.	No.
The average weekly number of employees during the period was	<u>158</u>	<u>189</u>

The company also utilised 21 agency staff whose costs are not included above (2005: 16 agency staff).

4. NET INTEREST PAYABLE	2006	2005
	£'000	£'000
Bank interest payable	(118)	(171)
FRS 17 interest receivable/(payable)	56	(40)
	<u>(62)</u>	<u>(211)</u>

5. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2006	2005
	£'000	£'000
The taxation credit is made up as follows:		
UK corporation tax at 30% (2005: 30%)	(52)	(94)
Prior year adjustment	-	(14)
	<u>(52)</u>	<u>(108)</u>
Deferred tax credit	<u>(107)</u>	<u>(45)</u>
Total tax credit	<u>(159)</u>	<u>(153)</u>

INTERSERVE (FACILITIES SERVICES-SLOUGH) LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

5. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES (continued)

The standard rate of current tax for the period, based on the UK standard rate of corporation tax is 30% (2005: 30%). The current tax charge for the period differs from the standard rate for the reasons set out in the following reconciliation:

	2006 £'000	2005 £'000
Loss on ordinary activities before taxation	(263)	(435)
	<u>£'000</u>	<u>£'000</u>
Taxation on loss on ordinary activities at standard rate	(79)	(131)
Factors affecting the charge:		
Disallowable expenses	10	2
Differences between capital allowances and depreciation	3	(10)
Prior year adjustment	-	(14)
Movement in short term timing differences	7	-
FRS 17 adjustment	7	45
	<u>(52)</u>	<u>(108)</u>
Tax credit on loss on ordinary activities	(52)	(108)

The company is not aware of any factors which might materially affect the future tax charge.

6. TANGIBLE FIXED ASSETS

	Fixtures, fittings and equipment £'000
Cost	
At 1 April 2005	62
Additions	-
	<u>62</u>
At 31 March 2006	62
Depreciation	
At 1 April 2005	59
Charge for the year	3
	<u>62</u>
At 31 March 2006	62
Net book value	
At 31 March 2006	-
	<u>-</u>
At 31 March 2005	3
	<u>3</u>

INTERSERVE (FACILITIES SERVICES-SLOUGH) LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

7.	DEBTORS	2006 £'000	2005 £'000
	Trade debtors	26	908
	Prepayments and accrued income	924	1,517
	Taxation recoverable	-	104
	Deferred tax asset	100	-
	Other debtors	28	117
		<u>1,078</u>	<u>2,646</u>

Included above is a balance of £179,000 (2005: £198,000) which is due in greater than one year.

8.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2006 £'000	2005 £'000
	Trade creditors	158	213
	Amounts owed to group undertakings	2,732	4,968
	Other taxation and social security	86	370
	Other creditors	122	59
	Accruals and deferred income	1,137	708
	Deferred consideration	159	159
		<u>4,394</u>	<u>6,477</u>

9.	DEFERRED TAXATION	2006 £'000	2005 (restated) £'000
	Opening deferred tax asset	296	573
	<i>Movement in profit and loss account</i>		
	Short term timing differences, accelerated capital allowances and trading losses	100	-
	Pension deficit charge	7	45
	<i>Movement in statement of recognised gains and losses</i>		
	Pension deficit	91	(322)
	Closing deferred tax asset	<u>494</u>	<u>296</u>

INTERSERVE (FACILITIES SERVICES-SLOUGH) LTD

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

9. DEFERRED TAXATION (continued)

Deferred tax asset consists of the following amount:

	2006	2005
	£'000	(restated) £'000
Short-term timing differences	7	-
Accelerated capital allowances	41	-
Trading losses	52	-
	<hr/>	<hr/>
Total deferred tax recognised in debtors (note 7)	100	-
Pension scheme deficit (note 13)	394	296
	<hr/>	<hr/>
Total deferred tax asset	494	296
	<hr/>	<hr/>

The deferred tax asset in respect of the pension deficit of £394,000 (2005: £296,000) is shown netted off the pension scheme liability.

10. CALLED UP SHARE CAPITAL

	2006	2005
	£	£
Authorised		
100 Ordinary shares of £1 each	100	100
100 Deferred shares of £1 each	100	100
	<hr/>	<hr/>
	200	200
	<hr/>	<hr/>
	£	£
Called up, allotted and fully paid		
100 Ordinary shares of £1 each	100	100
100 Deferred shares of £1 each	100	100
	<hr/>	<hr/>
	200	200
	<hr/>	<hr/>

The deferred shares have the right to receive, pari passu with holders of Ordinary shares, a dividend from the distributable profits of the company; but only after the ordinary shares have been paid a dividend of £10 per share.

On winding up or reduction of capital the deferred shares have the right to the repayment of capital, but only after the ordinary shares have been repaid.

The deferred shares shall not entitle the holders thereof to receive notice of or to attend or vote at any General Meeting of the company.

INTERSERVE (FACILITIES SERVICES-SLOUGH) LTD

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2006

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	Called up share capital £'000	Profit and loss account (restated) £'000	Total (restated) £'000
At 31 March 2004 as previously reported	-	(1,656)	(1,656)
Prior year adjustment for FRS 17 prior to 31 March 2004	-	(1,339)	(1,339)
At 31 March 2004 restated	-	(2,995)	(2,995)
Retained loss for the year 31 March 2005 as previously reported	-	(177)	(177)
Prior year adjustment to loss in year 31 March 2005 for FRS 17	-	(105)	(105)
Prior year adjustment for actuarial gain (net of deferred tax) recognised on the pension scheme	-	753	753
At 31 March 2005 restated	-	(2,524)	(2,524)
Loss for the year	-	(104)	(348)
Actuarial loss (net of deferred tax) recognised on the pension scheme	-	(211)	(211)
Balance at 31 March 2006	-	(2,839)	(3,083)

Please see note 14 for the analysis of the prior year adjustments referred to in the above note.

12. CASH FLOW STATEMENT

As a wholly owned subsidiary of a UK registered company, the company has taken advantage of the exemption from the requirement to produce a cash flow statement. A consolidated cash flow statement is included in the Interserve Plc group accounts.

13. PENSION ARRANGEMENTS

The company participates in the Royal County of Berkshire pension fund. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the company. The last formal valuation of the Pension Scheme was performed as at 31 March 2004. The accounting charge for 2005/6 and the notes below have been prepared based on this valuation.

INTERSERVE (FACILITIES SERVICES-SLOUGH) LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

13. PENSION ARRANGEMENTS (continued)

At 31 March 2006, the company has fully adopted FRS 17 in its financial statements for the first time. Prior year comparator figures are shown, meaning that the effective date of transition to FRS 17 is 31 March 2004. Adjustments have been included in the prior year figures in the Company's financial statements to move from the previous accounting standard, SSAP 24, to FRS 17.

FRS 17 "Retirement Benefits" requires a market based approach to the actuarial valuation of defined benefit schemes. This results in a greater volatility of the pension scheme's surplus or deficits as the market valuation is taken at each balance sheet date and reflects market conditions at that date.

The cost of pensions in respect of the Royal County of Berkshire Pension Scheme is charged to the profit and loss account. The Service Cost is charged in the year employees earn additional pensionable service. As required by FRS 17, the value of the defined benefit liabilities has been measured using the projected unit method. The pension costs are assessed in accordance with the advice of an independent qualified actuary.

Contributions to the scheme for the period are shown in note 3 and the agreed contribution rate for the next 12 months is 14% (2005: 14%).

An updated FRS 17 valuation of the scheme as at 31 December 2002 indicated that the scheme was 83% funded.

Assumptions	31 March 2006	31 March 2005	31 March 2004
Pay increases	3.1%	2.9%	2.9%
Discount rate	4.9%	5.4%	5.5%
Pension increases	3.1%	2.9%	2.9%
Salary growth	4.6%	4.4%	4.9%

Asset distribution and expected return assumptions:

Components	31 March 2006		31 March 2005		31 March 2004	
	Expected return	Fair value £'000	Expected return	Fair value £'000	Expected return	Fair value £'000
Equities	7.4%	6,636	7.7%	5,041	7.7%	3,502
Bonds	4.6%	1,197	4.8%	1,088	5.1%	840
Property	5.5%	820	5.7%	680	6.5%	518
Cash	4.6%	347	4.8%	284	4.0%	352
Total	6.7%	9,000	6.9%	7,093	6.9%	5,212

INTERSERVE (FACILITIES SERVICES-SLOUGH) LTD

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

13. PENSIONS (continued)

Balance sheet	31 March 2006 £'000	31 March 2005 £'000
Total fair value of assets	9,000	7,093
Present value of liabilities	(10,313)	(8,080)
Actuarial liability	(1,313)	(987)
Related deferred tax	394	296
FRS 17 defined benefit liability	(919)	(691)

Under FRS 17, the Interserve Facilities Services (Slough) Pension Scheme is represented on the balance sheet at 31 March 2006 as a liability of £1,313,000 (£919,000 net of deferred tax). This compares with a gross liability of £987,000 as at 31 March 2005 (£691,000 net of deferred tax).

Over the year to 31 March 2006, contributions by the Company were made to the Slough Pension Scheme totalling £195,000 (2005: £220,000). Following the actuarial valuation of the Slough Pension Scheme as at 31 March 2004 the Company continued paying contributions at the rate of 14% of Pensionable Pay. The Company contribution rate will be reviewed when the results of the next actuarial valuation, due as at 31 March 2007, are available. In addition, the Slough Pension Scheme administration expenses and the insurance premiums in respect of Life Assurance members are paid directly by the Company. Employee contributions are payable in addition.

Movement in asset in the year	31 March 2006 £'000	31 March 2005 £'000
Liability in scheme at start of year	(987)	(1,913)
Current service cost	(266)	(330)
Employer contributions	195	220
Impact of settlements and curtailments	(9)	-
Net return on assets	56	(40)
Actuarial gain or loss	(302)	1,076
Liability in scheme at end of year	(1,313)	(987)

Analysis of the amount charged to operating profit	31 March 2006 £'000	31 March 2005 £'000
Current service cost	266	330
Settlements and Curtailments	9	-
Total operating charge	275	330

INTERSERVE (FACILITIES SERVICES-SLOUGH) LTD

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

13. PENSIONS (continued)

Analysis of the amount credited to other finance income/(charges)	31 March 2006 £'000	31 March 2005 £'000
Expected return on pension scheme assets	498	360
Interest on pension scheme liabilities	(442)	(400)
Net finance income/(charges)	56	(40)

Analysis of amount recognised in statement of recognised gains and losses (STRGL)	31 March 2006 £'000	31 March 2005 £'000
Actual return less expected return on scheme assets	1,253	230
Experience gains and losses arising on liabilities	5	536
Changes in financial assumptions underlying the present value of scheme liabilities	(1,560)	310
Actuarial (loss)/gain recognised in the STRGL	(302)	1,076

History of experience gains and losses	31 March 2006	31 March 2005	31 March 2004	31 March 2003
Actual return less expected return on scheme assets (£'000)	1,253	230	595	(732)
Percentage of scheme's assets	13.9%	3.2%	11.4%	(18.0%)
Experience gains and losses arising on scheme's liabilities (£'000)	5	536	1	(161)
Percentage of the present value of the scheme's liabilities	0.0%	6.6%	0.0%	(2.8%)
Total amount recognised in the STRGL (£'000)	(302)	1,076	74	(1,170)
Percentage of the present value of the scheme's liabilities	(2.9%)	13.3%	1%	(20.1%)

INTERSERVE (FACILITIES SERVICES-SLOUGH) LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

14. PRIOR YEAR ADJUSTMENT

Following the introduction of FRS 17 a prior year adjustment has been recorded in respect of the liabilities in the company's defined benefit pension scheme. Further adjustments relating to the associated deferred tax provision on these movements have also been recorded. This is summarised as follows:

	Year to 31 March 2005 £'000	Prior to 31 March 2004 £'000	Total £'000
Profit and loss account			
Current service cost	(330)	-	(330)
Employer contributions	220	-	220
Other finance income	(40)	-	(40)
Tax charge	45	-	45
	<u>(105)</u>	<u>-</u>	<u>(105)</u>
 Statement of total recognised gains and losses	 £'000	 £'000	 £'000
Actuarial gain	1,076	-	1,076
Related deferred tax	(323)	-	(323)
	<u>753</u>	<u>-</u>	<u>753</u>
 Balance sheet	 £'000	 £'000	 £'000
Introduce FRS 17 pension liability	926	(1,913)	(987)
Related deferred tax	(278)	574	296
	<u>648</u>	<u>(1,339)</u>	<u>(691)</u>

The impact of the prior year adjustment on the prior year balance sheet and profit and loss account is set out in detail in note 11.

INTERSERVE (FACILITIES SERVICES-SLOUGH) LTD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

15. OPERATING LEASE COMMITMENTS

At 31 March 2006 the company had annual commitments under non-cancellable operating leases as follows:

	2006 £'000	2005 £'000
Land and buildings		
Expiry date:		
- less than one year	-	-
- between one and two years	-	-
- between two to five years	-	-
- after five years	140	140
	<u>140</u>	<u>140</u>

16. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Interserve (Facilities Services) Ltd and has accordingly taken advantage of the exemption available under FRS 8 from disclosing transactions with group entities.

17. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company is a wholly owned subsidiary of Interserve (Facilities Services) Ltd. Interserve (Facilities Services) Ltd is a wholly owned subsidiary of Interserve^{fm} Ltd.

Interserve Plc a company registered in England and Wales is the company regarded by the directors as the ultimate parent company and controlling party. Copies of the financial statements of Interserve Plc and Interserve^{fm} Ltd, the largest and smallest groups in which the results of the company are included, can be obtained from the Company Secretary, Interserve House, Ruscombe Park, Twyford, Reading, Berkshire, RG10 9JU.