

REGISTERED NUMBER: 00954121 (England and Wales)

Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 March 2017
for
Interserve (Facilities Services-Slough) Ltd

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Interserve (Facilities Services-Slough) Ltd
(Registered number: 00954121)

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for the Year Ended 31 March 2017

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Interserve (Facilities Services-Slough) Ltd

Company Information
for the Year Ended 31 March 2017

DIRECTORS:

P Clark
C Ling
M Burholt

SECRETARY:

S Pound

REGISTERED OFFICE:

Capital Tower
91 Waterloo Road
London
SE1 8RT

REGISTERED NUMBER:

00954121 (England and Wales)

AUDITOR:

Grant Thornton UK LLP
Chartered Accountants and
Statutory Auditor
Crawley
United Kingdom

BANKERS:

The Royal Bank of Scotland
PO Box 39978
Devonshire Square
London
EC2M 4WS

Interserve (Facilities Services-Slough) Ltd
(Registered number: 00954121)

Strategic Report
for the Year Ended 31 March 2017

PRINCIPAL ACTIVITY

The principal activity of the Company in the year under review is providing comprehensive management and maintenance services to Slough Borough Council. This will continue to be the principal activity of the Company until 30 November 2017, when the contract expires.

REVIEW OF BUSINESS

The results for the year ended 31 March 2017 are set out in the financial statements comprise the Income Statement, Other Comprehensive Income, the Balance Sheet, and the related notes 1 to 17.

The contract with Slough Borough Council performed well in the year.

The contract expired on 30 November 2017 leaving the entity with no trading contracts.

KEY PERFORMANCE INDICATORS

Financial performance is assessed through key measures of turnover and operating profit, as per the profit and loss statement. Interserve is dedicated to delivering sustainable shareholder value by working in partnership with its clients.

PRINCIPAL RISKS AND UNCERTAINTIES

Financial risk

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.

FUTURE DEVELOPMENTS

The Directors expect the general level of activity to remain consistent in the forthcoming year. However, the Contract for Services between Interserve (Facilities Services-Slough) Ltd and Slough Borough Council expired 30 November 2017.

APPROVED AND SIGNED ON BEHALF OF THE BOARD:



C Ling - Director

23rd March 2018

Interserve (Facilities Services-Slough) Ltd
(Registered number: 00954121)

Report of the Directors
for the Year Ended 31 March 2017

The Directors present their report with the financial statements of the Company for the year ended 31 March 2017.

DIVIDENDS

No dividends were paid or proposed in 2017 (2016: £nil).

DIRECTORS

The Directors shown below have held office during the whole of the period from 1 April 2016 to the date of this report.

P Clark

Other changes in Directors holding office are as follows:

C Ling and M Burholt were appointed as Directors on 15 August 2017 and 11 December 2017 respectively, prior to the date of this report.

M Watson and B Melizan ceased to be Directors and resigned on 8 February 2017 and 30 November 2017 respectively, prior to the date of this report.

GOING CONCERN

The key risks and uncertainties affecting the company are considered to relate to market change, major contracts, key people, the health & safety regime, financial risks and damage to reputation. Financial risks are discussed above; further discussion on other risks and uncertainties, in the context of the group as a whole, is provided in the Group's annual report which does not form part of this report.

In assessing the ability of the company to continue as a going concern, the company's directors have assessed the working capital requirements of the company. The contract for services between Interserve (Facilities Services-Slough) Ltd and Slough Borough Council expired on 30 November 2017 and as a result the company will need to settle its pension deficit. The deficit in relation to this contract is calculated at £11,166k in these accounts and the company has cash in hand of £6,873k at the balance sheet date.

The company relies upon the ultimate parent company to support its working capital needs and would need continuing financial support to meet the obligation to settle the pension deficit.

The directors have received confirmation from the company's ultimate parent company of its intent to continue its financial support for a period of at least 12 months from the date of approval of these financial statements.

However, the directors are aware that the ultimate parent company is currently in the process of renegotiating its banking facilities and whilst constructive discussions are ongoing these negotiations are not yet concluded. At the date of approval of these financial statements, an agreement in principle has been reached on long term financing for the ultimate parent company and the existing banking facilities and covenant measures were extended until the end of April 2018.

While the directors consider that the ultimate parent undertaking will ultimately secure long term financing and be able to continue to provide financial support to the company for a period of at least 12 months from the date of these financial statements, in the absence of the ability of the ultimate parent undertaking to secure longer term financing and therefore to provide financial support to the company, the company may not be able to discharge its liabilities as they fall due.

The directors have concluded that the combination of these circumstances represent a material uncertainty that may cast significant doubt upon the company's ability to continue as a going concern. Nevertheless, after making enquires and considering the uncertainties described above, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Interserve (Facilities Services-Slough) Ltd
(Registered number: 00954121)

Report of the Directors
for the Year Ended 31 March 2017

EMPLOYEE INVOLVEMENT AND DISABLED PERSONS

Within the bounds of commercial confidentiality management disseminates information to all levels of staff about matters that affect progress of the Company and are of interest and concern to them as employees.

A Group newsletter is also distributed at regular intervals to all employees which includes articles about the Company's activities and its performance.

The Company has an established policy that disabled persons, especially should they become disabled in the course of their employment with the Company, are employed where circumstances permit. The Company endeavours to ensure that disabled employees benefit from training and career development programmes in common with other employees.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report, 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). 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

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

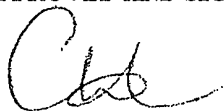
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

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

AUDITOR

In accordance with s485(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP as auditors was proposed and agreed at the Annual General Meeting held on 12 May 2017.

APPROVED AND SIGNED ON BEHALF OF THE BOARD:



C Ling - Director

23rd March 2018

Independent Auditor's Report to the Members of
Interserve (Facilities Services-Slough) Ltd

We have audited the financial statements of Interserve (Facilities Services-Slough) Ltd for the year ended 31 December 2017 which comprise the income statement, the statement of other comprehensive income, the balance sheet, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

Respective responsibilities of Directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the going concern paragraph of note 2 to the financial statements concerning the company's ability to continue as a going concern. The company relies upon the ultimate parent company to support its working capital needs and would need continuing financial support to meet the obligation to settle the pension deficit. The directors have received confirmation from the ultimate parent company of its intent to continue to provide financial support to the company. However, the ultimate parent company is currently in the process of renegotiating its banking facilities and whilst constructive discussions are ongoing these negotiations are not yet concluded. In the absence of the ability of the ultimate parent undertaking to secure longer term financing and provide financial support to the company, the company may not be able to discharge its liabilities as they fall due.

These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Directors' Report has 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 any material misstatements in the Strategic Report and Directors' Report.

Independent Auditor's Report to the Members of
Interserve (Facilities Services-Slough) Ltd (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.



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

23 March 2018

Interserve (Facilities Services-Slough) Ltd
(Registered number: 00954121)

Income Statement
for the Year Ended 31 March 2017

	Notes	2017 £'000	2016 £'000
TURNOVER		12,336	10,555
Cost of sales		<u>(9,119)</u>	<u>(8,372)</u>
GROSS PROFIT		3,217	2,183
Administrative expenses		<u>(949)</u>	<u>(1,076)</u>
OPERATING PROFIT		2,268	1,107
Interest payable and similar expenses	4	<u>(289)</u>	<u>(283)</u>
PROFIT BEFORE TAXATION	5	1,979	824
Tax on profit	6	<u>(397)</u>	<u>(162)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>1,582</u>	<u>662</u>

The notes form part of these financial statements

Interserve (Facilities Services-Slough) Ltd
(Registered number: 00954121)

Statement of Other Comprehensive Income
for the Year Ended 31 March 2017

	Notes	2017 £'000	2016 £'000
PROFIT FOR THE YEAR		1,582	662
OTHER COMPREHENSIVE INCOME			
Item that may be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on pension scheme		(3,085)	1,117
Income tax relating to item of other comprehensive income		<u>281</u>	<u>(223)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		<u>(2,804)</u>	<u>894</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(1,222)</u>	<u>1,556</u>

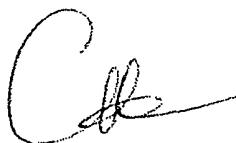
The notes form part of these financial statements

Interserve (Facilities Services-Slough) Ltd
(Registered number: 00954121)

Balance Sheet
31 March 2017

	Notes	2017 £'000	2016 £'000
FIXED ASSETS			
Intangible assets	7	-	-
Tangible assets	8	<u>3</u>	<u>-</u>
		<u>3</u>	<u>-</u>
CURRENT ASSETS			
Stocks	9	24	19
Debtors	10	4,645	4,147
Cash in hand		<u>6,873</u>	<u>5,000</u>
		11,542	9,166
CREDITORS			
Amounts falling due within one year	11	<u>(3,211)</u>	<u>(3,072)</u>
NET CURRENT ASSETS		<u>8,331</u>	<u>6,094</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		8,334	6,094
PENSION LIABILITY	15	<u>(11,166)</u>	<u>(7,704)</u>
NET LIABILITIES		<u>(2,832)</u>	<u>(1,610)</u>
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Retained earnings	14	<u>(2,832)</u>	<u>(1,610)</u>
SHAREHOLDERS' FUNDS		<u>(2,832)</u>	<u>(1,610)</u>

The financial statements were approved by the Board of Directors on 23rd March 2018 and were signed on its behalf by:



C Ling - Director

Interserve (Facilities Services-Slough) Ltd
(Registered number: 00954121)

Statement of Changes in Equity
for the Year Ended 31 March 2017

	Retained earnings £'000	Total equity £'000
Balance at 1 April 2015	(3,166)	(3,166)
Changes in equity		
Total comprehensive income	<u>1,556</u>	<u>1,556</u>
Balance at 31 March 2016	<u>(1,610)</u>	<u>(1,610)</u>
Changes in equity		
Total comprehensive income	<u>(1,222)</u>	<u>(1,222)</u>
Balance at 31 March 2017	<u>(2,832)</u>	<u>(2,832)</u>

The notes form part of these financial statements

Notes to the Financial Statements
for the Year Ended 31 March 2017

1. STATUTORY INFORMATION

Interserve (Facilities Services-Slough) Ltd is a private Company, limited by shares, registered in England and Wales. The Company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparation

Interserve (Facilities Services-Slough) Ltd is a Company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operation and its principal activities are set out in the strategic report on page 2.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

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

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

The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Interserve Plc. Details of the parent whose consolidated financial statements the Company is included are shown in note 17 to the financial statements.

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

Computer software amortisation

Amortisation is provided on all intangible assets other than goodwill, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows;

Asset category	% per annum
Computer software	33.3%

Residual value is calculated on prices prevailing at the date of acquisition or revaluation. Useful lives and residual values are reviewed at the end of every reporting period.

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Asset category	% per annum
Plant and machinery	10% - 50%
Fixtures and fittings	10% - 50%
Computer equipment	10% - 50%

Residual value is calculated on prices prevailing at the date of acquisition or revaluation. Useful lives and residual values are reviewed at the end of every reporting period.

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangibles assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating) unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2017

2. ACCOUNTING POLICIES - continued

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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

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

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

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

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

Going concern

The key risks and uncertainties affecting the company are considered to relate to market change, major contracts, key people, the health & safety regime, financial risks and damage to reputation. Financial risks are discussed above; further discussion on other risks and uncertainties, in the context of the group as a whole, is provided in the Group's annual report which does not form part of this report.

In assessing the ability of the company to continue as a going concern, the company's directors have assessed the working capital requirements of the company. The contract for services between Interserve (Facilities Services-Slough) Ltd and Slough Borough Council expired on 30 November 2017 and as a result the company will need to settle its pension deficit. The deficit in relation to this contract is calculated at £11,166k in these accounts and the company has cash in hand of £6,873k at the balance sheet date.

The company relies upon the ultimate parent company to support its working capital needs and would need continuing financial support to meet the obligation to settle the pension deficit.

The directors have received confirmation from the company's ultimate parent company of its intent to continue its financial support for a period of at least 12 months from the date of approval of these financial statements.

However, the directors are aware that the ultimate parent company is currently in the process of renegotiating its banking facilities and whilst constructive discussions are ongoing these negotiations are not yet concluded. At the date of approval of these financial statements, an agreement in principle has been reached on long term financing for the ultimate parent company and the existing banking facilities and covenant measures were extended until the end of April 2018.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2017

2. ACCOUNTING POLICIES - continued

While the directors consider that the ultimate parent undertaking will ultimately secure long term financing and be able to continue to provide financial support to the company for a period of at least 12 months from the date of these financial statements, in the absence of the ability of the ultimate parent undertaking to secure longer term financing and therefore to provide financial support to the company, the company may not be able to discharge its liabilities as they fall due.

The directors have concluded that the combination of these circumstances represent a material uncertainty that may cast significant doubt upon the company's ability to continue as a going concern. Nevertheless, after making enquires and considering the uncertainties described above, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Leases

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

Pensions

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income statement 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 other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, 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 is presented separately after other net assets on the face of the balance sheet.

For the defined contribution scheme the amount charged to the income statement 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.

Turnover

The turnover and profit before taxation are attributable to the one principal activity of the Company. Turnover is recognised on completion of the contracted services.

Critical accounting judgements and key sources of estimation uncertainty

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

Revenue and margin recognition

Judgements are made on an ongoing basis with regard to the recoverability of amounts due, liabilities arising and the requirement for forward loss provisions. Regular forecasts are compiled on the outcomes of these types of contracts, which require assessments and judgements relating to the recovery of pre-contract costs, changes in work scopes, contract programmes and maintenance liabilities.

Strategic Report
for the Year Ended 31 March 2017

2. ACCOUNTING POLICIES - continued

Carrying value of trade and other receivables

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

Defined benefit scheme

Directors' best estimates are based upon an assessment, with advice from the schemes' actuaries, of key financial and demographic assumptions.

The rate used to discount schemes' liabilities reflects the market rate for long-term corporate bonds, adjusted for the projected duration of liabilities. Inflation is based upon the market rate observed at 31 March by reference to long-term index-linked bonds.

Mortality assumptions are set upon actuarial advice in accordance with published statistics using a "medium cohort" basis and scheme-specific experience.

A schedule showing the impact upon the schemes' liabilities of any change in the assumption made is included in note 15 to these financial statements.

3. EMPLOYEES AND DIRECTORS

Mr Melizan was a Director of the ultimate parent Company, Interserve Plc, and his remuneration for services to the group as a whole are disclosed in the accounts of that Company. It is not considered practicable to allocate his remuneration between the companies of which he is a Director.

During the year Messrs Watson and Clark were remunerated for their services to the group by Interservefin Ltd. Their remuneration is disclosed in the accounts of that Company. It is not considered practicable to allocate their remuneration between the companies of which they are Directors.

	2017 £'000	2016 £'000
Staff costs during the year (including Directors):		
Wages and salaries	3,186	3,750
Social security costs	302	258
Other pension costs	250	235
	<u>3,738</u>	<u>4,243</u>

	2017 No.	2016 No.
The average weekly number of employees during the year was:		
Administration	39	38
Production	95	94
	<u>134</u>	<u>132</u>

4. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017 £'000	2016 £'000
Interest payable on pension scheme obligation	289	283
	<u>289</u>	<u>283</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2017

5. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging:

	2017 £'000	2016 £'000
Depreciation on owned assets	-	2
Operating lease rentals:		
- Land and buildings	211	189
- Plant and machinery	16	29
- Other	317	308
Hire of plant and machinery	23	29
Remuneration payable to auditor:		
- Fees payable to the Company's auditor for the annual audit of the Company's accounts *	13	13
- Fees payable to the Company's auditor for other services	-	-
Management charges *	<u>478</u>	<u>447</u>

* All indirect costs of the Company are borne by Interservefm Ltd. Interservefm Ltd levies a management charge to cover the administrative costs of the Company.

6. TAXATION

Analysis of tax expense

	2017 £'000	2016 £'000
Current tax:		
UK Corporation tax	396	160
Prior periods tax adjustment	<u>75</u>	<u>81</u>
Total current tax	471	241
Deferred tax - Current year	<u>(74)</u>	<u>(79)</u>
Total tax expense in income statement	<u>397</u>	<u>162</u>

Factors affecting the tax expense

The tax assessed for the year is higher (2016 - lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2017 £'000	2016 £'000
Profit before income tax	<u>1,979</u>	<u>824</u>
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2016 - 20.25%)	396	167
Effects of:		
Expenses not deductible for tax purposes	-	(7)
Deferred tax on pension scheme	(75)	(79)
Deferred tax - current year	1	-
Prior period adjustments	<u>75</u>	<u>81</u>
Tax expense	<u>397</u>	<u>162</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2017

6. TAXATION - continued

Tax effects relating to effects of other comprehensive income

	Gross £'000	2017 Tax £'000	Net £'000
Actuarial (loss)/gain on pension scheme	(3,085)	281	(2,804)

	Gross £'000	2016 Tax £'000	Net £'000
Actuarial (loss)/gain on pension scheme	1,117	(223)	894

7. INTANGIBLE FIXED ASSETS

	Computer software £'000
COST	
At 1 April 2016 and 31 March 2017	14
AMORTISATION	
At 1 April 2016 and 31 March 2017	14
NET BOOK VALUE	
At 31 March 2017	-
At 31 March 2016	-

8. TANGIBLE FIXED ASSETS

	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Totals £'000
COST				
At 1 April 2016	19	48	53	120
Additions	-	-	3	3
At 31 March 2017	19	48	56	123
DEPRECIATION				
At 1 April 2016 and 31 March 2017	19	48	53	120
NET BOOK VALUE				
At 31 March 2017	-	-	3	3
At 31 March 2016	-	-	-	-

Interserve (Facilities Services-Slough) Ltd
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Notes to the Financial Statements - continued
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9. STOCKS

	2017	2016
	£'000	£'000
Stocks	<u>24</u>	<u>19</u>

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£'000	£'000
Trade debtors	1,480	1,397
Amounts owed by group companies	9	63
Deferred tax asset	1,906	1,551
Prepayments and accrued income	<u>1,250</u>	<u>1,136</u>
	<u>4,645</u>	<u>4,147</u>

Deferred tax asset

	2017	2016
	£'000	£'000
Deferred tax	8	10
Deferred tax assets greater than one year	<u>1,898</u>	<u>1,541</u>
	<u>1,906</u>	<u>1,551</u>

Deferred Tax

	2017	2016
	£'000	£'000
Opening deferred tax asset	1,551	1,695
Credit to the income statement	74	79
Credit/(charge) to other comprehensive income	<u>281</u>	<u>(223)</u>
Closing deferred tax asset	<u>1,906</u>	<u>1,551</u>

Deferred tax asset consists of the following amount:

	£'000	£'000
Deferred tax on pension scheme liabilities	1,898	1,541
Short-term timing differences	<u>8</u>	<u>10</u>
Total deferred tax asset	<u>1,906</u>	<u>1,551</u>

The closing deferred tax asset balance is recognised at 17%, (2016: 20%), the rate that was substantively enacted at the balance sheet date.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£'000	£'000
Trade creditors	411	287
Corporation tax	664	424
Other taxation and social security	170	114
Other creditors	5	10
Amounts owed to group companies	1,334	896
Accruals and deferred income	<u>627</u>	<u>1,341</u>
	<u>3,211</u>	<u>3,072</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2017

12. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2017 £'000	2016 £'000
Within one year	210	-
Between one and five years	841	-
In more than five years	563	-
	<u>1,614</u>	<u>-</u>

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2017 £'000	2016 £'000
100	Ordinary	£1	-	-
100	Deferred	£1	-	-
			<u>-</u>	<u>-</u>

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.

14. RESERVES

	Profit and loss account £'000
At 1 April 2016	(1,610)
Profit for the year	1,582
Net actuarial loss for the year	<u>(2,804)</u>
At 31 March 2017	<u>(2,832)</u>
Profit and loss account excluding pension liability	8,334
Pension deficit	<u>(11,166)</u>
Profit and loss account	<u>(2,832)</u>

Interserve (Facilities Services-Slough) Ltd
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Notes to the Financial Statements - continued
for the Year Ended 31 March 2017

15. EMPLOYEE BENEFIT OBLIGATIONS

The Company participates in the Royal County of Berkshire Pension Fund (the "Fund"). This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the Company. The last triennial valuation of the pension scheme was performed as at 31 March 2016. The accounting charge for 2017 and the notes below have been prepared in accordance with IAS19 valuation as at 31 March 2017.

The cost of pensions in respect of the Royal County of Berkshire Pension Scheme is charged to the income statement. The service cost is charged in the year employees earn additional pensionable service. As required by IAS19, 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.

The last triennial valuation of the scheme indicated that the scheme was 75% funded. The Company also operates a defined contribution scheme; contributions made in the year were £15,003 (2016: £14,717).

The Company is required to settle the deficit on this pension scheme on leaving the contract in November 2017. This is expected to be settled via a cash payment sometime during the second half of 2018.

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2017	2016
	£'000	£'000
Current service cost	293	303
Net interest from net defined benefit asset/liability	289	283
Past service costs/curtailments	1	-
Administrative costs	8	8
	<u>591</u>	<u>594</u>
Actual return on plan assets	<u>1,634</u>	<u>(171)</u>

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	2017	2016
	£'000	£'000
Opening defined benefit obligation	18,300	19,164
Current service cost	293	303
Interest cost	690	649
Employee contributions	65	54
Past service costs/curtailments	1	-
Actuarial losses/(gains)	4,281	(1,654)
Benefits paid	(358)	(216)
	<u>23,272</u>	<u>18,300</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2017

15. **EMPLOYEE BENEFIT OBLIGATIONS - continued**

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	2017	2016
	£'000	£'000
Opening fair value of scheme assets	10,596	10,733
Contributions by employer	279	258
Administrative costs	(8)	(8)
Expected return	401	366
Actuarial gains/(losses)	1,196	(537)
Benefits paid	(358)	(216)
	<u>12,106</u>	<u>10,596</u>

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2017	2016
	£'000	£'000
Actuarial (losses)/gains	(3,085)	1,117
Deferred tax on pension scheme	281	(223)
	<u>(2,804)</u>	<u>894</u>

The major categories of scheme assets as amounts of total scheme assets are as follows:

	Defined benefit pension plans	
	2017	2016
	£'000	£'000
Equities	5,906	4,789
Gilts	-	154
Commodities	201	349
Target return	1,250	1,993
Property	1,669	1,238
Cash	1,270	534
Other bonds	1,804	1,452
Infrastructure	615	506
Longevity Insurance	(609)	(419)
	<u>12,106</u>	<u>10,596</u>

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2017	2016
Discount rate	2.80%	3.80%
Future salary increases	2.70%	2.50%
Future pension increases	2.70%	2.50%
RPI increases	3.60%	3.40%
CPI increases	2.70%	2.50%

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Notes to the Financial Statements - continued
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16. CONTINGENT LIABILITIES

At 31 March 2017 there were contingent liabilities in respect of guarantees given in the ordinary course of business. The Company has given guarantees covering banking facilities made available to the parent and fellow subsidiary undertakings. At 31 March 2017, these amounted to £6,873,000 (2016: £5,349,000).

17. ULTIMATE CONTROLLING PARTY

The Company is a wholly-owned subsidiary of Interserve (Facilities Services) Ltd. Interserve (Facilities Services) Ltd is a wholly-owned subsidiary of Interservefin 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 and is the smallest and largest group for which group financial statements are prepared. Copies of the financial statements of Interserve Plc can be obtained from the Company Secretary, Interserve House, Ruscombe Park, Twyford, Reading, Berkshire, RG10 9JU.