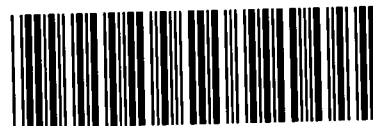


REGISTERED NUMBER: 02427982 (England and Wales)

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

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Broadreach Group Limited (Registered number: 02427982)

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for the Year Ended 31 December 2019

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Broadreach Group Limited

Company Information
for the Year Ended 31 December 2019

DIRECTORS:

S Pound
P Clark

SECRETARY:

S Pound

REGISTERED OFFICE:

Capital Tower
91 Waterloo Road
London
SE1 8RT

REGISTERED NUMBER:

02427982 (England and Wales)

AUDITORS:

Grant Thornton UK LLP
Chartered Accountants and Statutory Auditor
2nd Floor
St John's House
Haslett Avenue
Crawley
RH10 1HS

Broadreach Group Limited (Registered number: 02427982)

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 principal activity of the Company is that of an investment holding company. There has been no significant change in the Company's principal activity in the year under review. The directors are not aware, at the date of this report, of any likely significant changes in the Company's activities in the next financial year. The Company is a wholly-owned subsidiary of MacLellan Group Limited.

REVIEW OF BUSINESS

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

The Company's profit from ordinary activities before taxation was £404 (2018: £302). The results of the Company are as set out in the financial statements.

On 15 March 2019, Interserve Plc, the previous ultimate controlling party of Broadreach Group Limited was placed into administration and the new ultimate controlling party, Interserve Group Limited was formed.

COVID-19

Broadreach Group Limited, and the Support Services Division of which it is a part, has proven resilient in the face of the COVID-19 pandemic. Overall the Division has continued to generate profit and cash during the period, albeit at a reduced level, with COVID-19 estimated to have been responsible for a c.9% revenue decrease during the first lock-down period. The business has worked closely with its customers to maintain critical services and has benefited from the use of the Coronavirus Job Retention Scheme to maintain its employment levels.

The effects of COVID-19, as described above, have been incorporated within the going concern statement below.

Post Balance Sheet Events

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

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

The company 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, reductions in services and delays to the commissioning of project work, both in the public and private sector, partially offset by additional services requested in sectors such as health and some central government customers.

Broadreach Group Limited (Registered number: 02427982)

Strategic Report
for the Year Ended 31 December 2019

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.

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

The Interserve Group is conducting a comprehensive investigation into the attack and its remediation measures are ongoing, progressing well and in line with expectations. This main investigation concluded on 7 September as per plan. The investigation has identified no evidence of data exfiltration having taken place.

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

On 25 June 2020, Mitie Group plc announced the proposed merger with Interserve Support Services for a combined consideration of £271 million comprising £120 million in cash and a 23.4% shareholding in the Mitie Group. Completion of the transaction is subject to certain conditions precedent including approval by the Competition and Markets Authority and the Pensions Regulator but is expected to complete by the end of this year.

Key Financial and Non-Financial Performance Indicators

The Support Services division, of which the Company forms a part, use a scorecard of financial and non-financial key performance indicators (KPIs) to measure critical aspects of performance, which align to the Company's strategic objectives. The KPIs are applied to the most relevant tier, whether that be contract or the division as a whole. These primary targets are to deliver substantial future work, maintain the carrying value of investments and generate strong cash conversion.

There is not a future workload for the Company as it does not trade. The Support Services division uses cash conversion as the principle KPI to assess business performance and prospects. The cash conversion KPI for 2019 was 156% for the division (2018: 195%), these figures demonstrate a consistent and strong cash generation performance which has been considered in the going concern review and in the ongoing management of the Company.

There has been no application of non-financial KPIs as the Company acts purely as a holding entity within a larger group and has no employees and extremely limited external relationships.

Broadreach Group Limited (Registered number: 02427982)

Strategic Report
for the Year Ended 31 December 2019

PRINCIPAL RISKS AND UNCERTAINTIES

The key risks and uncertainties affecting the company are considered to relate to market change, major contracts, key people, the health and safety regime, financial risks and damage to reputation. These risks are discussed below.

The market conditions during 2019 have been particularly tough. The company has continued to operate within the previously implemented Group wide performance improvement plan, Fit for Growth, aimed at improving margin performance to industry norms.

Brexit

The directors have considered the impact that Brexit may have on the company and considered these in short and longer-term planning. The main area of risk is regarding labour mobility and thus the number of EU nationals within our workforce, as well as the broader potential impact on the economy and public spending. Therefore the Company welcomed the statement on 'Safeguarding the position of EU citizens living in the UK and UK nationals living in the EU' made by the UK Government on 26th June 2017. In addition, following the UK Government's agreement with the European Union on citizens' rights, European Union citizens can apply for settled status through the 'EU Settlement Scheme' (fully opened by 30 March 2019), and the agreement that EU citizens' rights will not change until 2021.

The directors believe that this provides significant protections; both for the existing EU workforce within Interserve, but also will ensure that there is not a material impact on our ability to hire future talent. It is also important to note that the existing number of EU citizens working within Interserve is relatively small in proportion to other national groups.

There are not expected to be significant supply chain issues or tariff increases.

FINANCIAL RISK MANAGEMENT

The company has exposure 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. The directors are satisfied that given the nature of this company, there are no other significant risks and uncertainties to consider.

ENVIRONMENTAL IMPACT

It is the Interserve Group's policy to conduct its operations in an environmentally sustainable manner in order to protect the environment for future generations. In implementing its policy the Group seek, through its operating companies to; comply with relevant environmental legislation and regulation, prevent pollution, the use of natural resources, minimisation of waste and emissions, promote environmental awareness to its employees, and to monitor and improve its environmental performance.

ANTI-BRIBERY AND CORRUPTION

As part of the Interserve Group's commitment to compliance in anti-bribery and competition laws, it has worked with the Institute of Business Ethics to develop and launch a smart choice toolkit. This is a decision-making guidance tool providing practical help and guidance on the legal position in a variety of situations in which employees may find themselves, such as when it is and is not appropriate to accept a gift or offer hospitality, practical tips to avoid involvement in facilitation payments and how best to act if faced with a conflict of interest.

Broadreach Group Limited (Registered number: 02427982)

Strategic Report
for the Year Ended 31 December 2019

GOING CONCERN

The financial statements have been prepared on a going concern basis, which assumes that Broadreach Group Limited will be able to meet its liabilities as they fall due in the period to 31 December 2021 ("the going concern review period"). At the date of approval of these financial statements, Broadreach Group Limited is a wholly owned subsidiary of Interserve Group Limited ("IGL"), however it is anticipated that before the end of 2020 Broadreach Group Limited will be acquired by Mitie Group plc ("Mitie").

Forecast models used

Accordingly, in order to assess the appropriateness of the going concern basis of preparation the directors have assessed the cash flow forecasts of Broadreach Group Limited on the basis that the acquisition by Mitie proceeds and the company will form part of the enlarged group through to the end of the going concern review period.

Because the acquisition is not yet completed, the directors have also assessed the cash flow forecasts of Broadreach Group Limited on the basis that the acquisition does not proceed and the company remains part of the IGL group for the forecast period.

In performing their assessment the directors considered the principal risks and uncertainties set out within this Strategic Report. The directors' assessment included review of cash flow forecast models which were based on reasonable expectations of future performance and also reasonable worst case scenarios, together with a reverse stress test in the context of the COVID-19 pandemic.

Uncertainty in relation to acquisition by Mitie

The successful acquisition of Broadreach Group Limited is dependent upon certain specific conditions, including Mitie shareholder and regulatory approvals which have not yet been satisfied and are outside of the control of Broadreach Group Limited. Should, for any reason, the acquisition not proceed, Broadreach Group Limited would remain as a subsidiary of IGL and be a guarantor in respect of and reliant upon the existing financing facilities available to the IGL Group. The directors have carefully considered factors which may affect the company's and the IGL Group's future performance and financial position in the context of their available financial resources by reviewing projected cash flow forecasts throughout the going concern review period to 31 December 2021, including downside scenarios and mitigating actions potentially available to IGL.

The markets in which the IGL Group operates have been challenging over the last few years and during 2020 the COVID-19 pandemic has led to a reduction in demand for services across the Group. Furthermore, the IGL Group continues to pursue the satisfactory close out of legacy liabilities and contracts related to the businesses from which the Group has exited (primarily certain construction markets and Energy from Waste projects) and is actively seeking to dispose of some of its remaining businesses.

In the event the acquisition does not complete, the base case IGL forecasts indicate that without renegotiating certain aspects of its current financing arrangements (principally to retain certain disposal proceeds that are immediately repayable under the existing terms of these facilities, deferring interest amounts payable to its lenders and/or renegotiating the quantum of such facilities), the IGL Group could extinguish its available facilities during the going concern assessment period. However, in the absence of the completion of the acquisition by Mitie, the directors believe that there are a range of reasonable alternative actions that could be explored, including entering into discussions with the IGL Group's shareholders and lenders in respect of alternative funding plans and/or other strategic options if required. The outcome of any discussions with the IGL Group's shareholders and lenders remains uncertain.

Broadreach Group Limited (Registered number: 02427982)

Strategic Report
for the Year Ended 31 December 2019

Uncertainty in relation to COVID-19

Forecast models considered by management incorporate the impact of COVID-19 on trading. This impact was based on two scenarios: a case where an initial COVID-19 mandated lockdown lasted for c.3 months during 2020 and a more pessimistic case where a second, more severe lockdown occurs in late 2020 / early 2021 (considered to be the 'reasonable worst case'). The consequential impacts to the stand alone business and enlarged group included, inter alia, expected customer service reductions or project delays reducing monthly revenue for the stand alone business by up to 35% (depending on customer segment) at peak effect, potential increased challenges with customer receipts (of up to 5 debtor days, depending on customer segment), acceleration of supplier payments and the level of UK Government support available through formal schemes such as the Coronavirus Job Retention Scheme.

Broadreach Group Limited, and the Support Services Division of which it is a part, has proven resilient in the face of the COVID-19 pandemic. Overall the Division has continued to generate profit and cash during the period, albeit at a reduced level, with COVID-19 estimated to have been responsible for a c.9% revenue decrease during the first lock-down period. The business has worked closely with its customers to maintain critical services and has benefited from the use of the Coronavirus Job Retention Scheme to maintain its employment levels.

Whilst the experience of the initial phase of the COVID-19 pandemic suggests that the directors' forecast reasonable worst case may be more severe than recent trading experience in the first phase lockdown, the directors consider that the limited duration of the pandemic to date does give rise to a level of uncertainty over the impact to the business arising from a potential second wave lockdown and associated recession, together with an uncertainty over the level of Government support available in future. This may lead to further impact on cash generation, working capital and therefore covenant headroom and liquidity, should plausible further downside risks occur as a result of the economic impact of COVID-19 on the sector as a whole. In addition, the directors' ability (in their role as subsidiary directors within an enlarged group) to foresee, influence or take appropriate mitigating actions that may be necessary in the future at an enlarged group level are likely to be more limited than they currently are as part of the IGL Group.

Material uncertainty over going concern

The directors have considered the various risks and uncertainties mentioned above and have concluded that collectively they represent a material uncertainty which may cast significant doubt upon Broadreach Group Limited's ability to continue as a going concern.

Nevertheless, after considering the current trading performance of the Company during the initial COVID-19 lockdown period, the forecast trading performance of the Company if, as expected, the transaction with Mitie concludes, and the forecast trading within the IGL group if it does not, the directors have a reasonable expectation that Broadreach Group Limited 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. Accordingly, these financial statements do not include any adjustments that would result if Broadreach Group Limited was unable to continue as a going concern.

APPROVED BY THE BOARD OF DIRECTORS:



P Clark - Director

28 September 2020

Broadreach Group Limited (Registered number: 02427982)

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.

Certain requirements of the Strategic Report, including the principal risks and uncertainties of the company, the post balance sheet events are not included within the report of the Directors as they are shown in the Strategic Report on pages 2 - 6.

DIVIDENDS

The directors do not recommend the payment of a final dividend on the ordinary shares (2018: £Nil). The dividend of £3,200 (2018: £3,200) on the preference shares has been recognised in "Interest payable and similar charges". No other dividends have been paid in the year (2018: £Nil).

FUTURE DEVELOPMENTS

The Company intends to continue operating as an investment holding company.

DIRECTORS

S Pound has held office during the whole of the period from 1 January 2019 to the date of this report.

Other changes in directors holding office are as follows:

C Ling - resigned 28 February 2019

P Clark - appointed 15 February 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 profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations.

Broadreach Group Limited (Registered number: 02427982)

Report of the Directors
for the Year Ended 31 December 2019

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 2019.

However, depending upon the outcome of the proposed sale of the entity to the Mitie Group plc, which is anticipated to take place before the end of 2020, Grant Thornton UK LLP may not be the auditor for the period ending 31 December 2020.

APPROVED BY THE BOARD OF DIRECTORS:



P Clark - Director

28 September 2020

Independent Auditors' Report to the Members of
Broadreach Group Limited

Opinion

We have audited the financial statements of Broadreach Group 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 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.

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 Auditors' 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 uncertainties arising from the UK exiting the European Union 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 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.

Brexit is one of the most significant economic events for the UK, and at the date of this report its 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 a course of action such as Brexit.

Material uncertainty related to Going Concern

We draw attention to note 2 in the financial statements, which sets out the basis for the directors' assessment of the going concern basis of preparation. In preparing their assessment and the forecasts that underpin it, the directors' have considered the events and conditions in the forecast period to December 2021, including the conditional nature of the anticipated sale of the entity (and other subsidiaries of the IGL group) to Mitie Group plc after the date of these financial statements, and the potential negative impact to future trade, covenant headroom and liquidity of the COVID-19 pandemic and the macroeconomic circumstances it has created. These events and conditions, along with the other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

Independent Auditors' Report to the Members of
Broadreach Group 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors 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 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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 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.


Auditors' 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 Auditors' 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 Auditors' 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 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.



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

28 September 2020

Broadreach Group Limited (Registered number: 02427982)Statement of Comprehensive Income
for the Year Ended 31 December 2019

	Notes	2019 £	2018 £
TURNOVER		-	-
Impairment of investment		<u>-</u>	<u>(2)</u>
OPERATING LOSS		-	(2)
Interest receivable and similar income	4	3,604	3,504
Interest payable and similar expenses	5	<u>(3,200)</u>	<u>(3,200)</u>
PROFIT BEFORE TAXATION	6	404	302
Tax on profit	7	<u>531</u>	<u>(51)</u>
PROFIT FOR THE FINANCIAL YEAR		935	251
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>935</u></u>	<u><u>251</u></u>

The notes form part of these financial statements

Broadreach Group Limited (Registered number: 02427982)Balance Sheet31 December 2019

	Notes	2019 £	2018 £
FIXED ASSETS			
Investments	8	90,170	90,170
CURRENT ASSETS			
Debtors	9	122,083	120,333
CREDITORS			
Amounts falling due within one year	10	<u>(4,893)</u>	<u>(4,078)</u>
NET CURRENT ASSETS		<u>117,190</u>	<u>116,255</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		207,360	206,425
CREDITORS			
Amounts falling due after more than one year	11	<u>(40,000)</u>	<u>(40,000)</u>
NET ASSETS		<u>167,360</u>	<u>166,425</u>
CAPITAL AND RESERVES			
Called up share capital	12	105,264	105,264
Share premium	13	32,953	32,953
Retained earnings	13	<u>29,143</u>	<u>28,208</u>
SHAREHOLDERS' FUNDS		<u>167,360</u>	<u>166,425</u>

The financial statements were approved by the Board of Directors and authorised for issue on 28 September 2020 and were signed on its behalf by:



P Clark - Director

Broadreach Group Limited (Registered number: 02427982)Statement of Changes in Equity
for the Year Ended 31 December 2019

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 January 2018	105,264	27,957	32,953	166,174
Changes in equity				
Total comprehensive income	-	251	-	251
Balance at 31 December 2018	105,264	28,208	32,953	166,425
Changes in equity				
Total comprehensive income	-	935	-	935
Balance at 31 December 2019	105,264	29,143	32,953	167,360

The notes form part of these financial statements

Broadreach Group Limited (Registered number: 02427982)

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

1. STATUTORY INFORMATION

Broadreach Group 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.

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 pound except when otherwise indicated.

The Company is exempt from the preparation of consolidated financial statements, because it is included in the Group accounts of Interserve Group Limited. Details of the parent whose consolidated financial statements the Company is included are shown in note 16 to the financial statements.

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.

Broadreach Group Limited (Registered number: 02427982)

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

2. **ACCOUNTING POLICIES - continued**

Going concern

The financial statements have been prepared on a going concern basis, which assumes that Broadreach Group Limited will be able to meet its liabilities as they fall due in the period to 31 December 2021 ("the going concern review period"). At the date of approval of these financial statements, Broadreach Group Limited is a wholly owned subsidiary of Interserve Group Limited ("IGL"), however it is anticipated that before the end of 2020 Broadreach Group Limited will be acquired by Mitie Group plc ("Mitie").

Forecast models used

Accordingly, in order to assess the appropriateness of the going concern basis of preparation the directors have assessed the cash flow forecasts of Broadreach Group Limited on the basis that the acquisition by Mitie proceeds and the company will form part of the enlarged group through to the end of the going concern review period.

Because the acquisition is not yet completed, the directors have also assessed the cash flow forecasts of Broadreach Group Limited on the basis that the acquisition does not proceed and the company remains part of the IGL group for the forecast period.

In performing their assessment the directors considered the principal risks and uncertainties set out within this Strategic Report. The directors' assessment included review of cash flow forecast models which were based on reasonable expectations of future performance and also reasonable worst case scenarios, together with a reverse stress test in the context of the COVID-19 pandemic.

Uncertainty in relation to acquisition by Mitie

The successful acquisition of Broadreach Group Limited is dependent upon certain specific conditions, including Mitie shareholder and regulatory approvals which have not yet been satisfied and are outside of the control of Broadreach Group Limited. Should, for any reason, the acquisition not proceed, Broadreach Group Limited would remain as a subsidiary of IGL and be a guarantor in respect of and reliant upon the existing financing facilities available to the IGL Group. The directors have carefully considered factors which may affect the company's and the IGL Group's future performance and financial position in the context of their available financial resources by reviewing projected cash flow forecasts throughout the going concern review period to 31 December 2021, including downside scenarios and mitigating actions potentially available to IGL.

The markets in which the IGL Group operates have been challenging over the last few years and during 2020 the COVID-19 pandemic has led to a reduction in demand for services across the Group. Furthermore, the IGL Group continues to pursue the satisfactory close out of legacy liabilities and contracts related to the businesses from which the Group has exited (primarily certain construction markets and Energy from Waste projects) and is actively seeking to dispose of some of its remaining businesses.

In the event the acquisition does not complete, the base case IGL forecasts indicate that without renegotiating certain aspects of its current financing arrangements (principally to retain certain disposal proceeds that are immediately repayable under the existing terms of these facilities, deferring interest amounts payable to its lenders and/or renegotiating the quantum of such facilities), the IGL Group could extinguish its available facilities during the going concern assessment period. However, in the absence of the completion of the acquisition by Mitie, the directors believe that there are a range of reasonable alternative actions that could be explored, including entering into discussions with the IGL Group's shareholders and lenders in respect of alternative funding plans and/or other strategic options if required. The outcome of any discussions with the IGL Group's shareholders and lenders remains uncertain.

2. ACCOUNTING POLICIES - continued

Uncertainty in relation to COVID-19

Forecast models considered by management incorporate the impact of COVID-19 on trading. This impact was based on two scenarios: a case where an initial COVID-19 mandated lockdown lasted for c.3 months during 2020 and a more pessimistic case where a second, more severe lockdown occurs in late 2020 / early 2021 (considered to be the 'reasonable worst case'). The consequential impacts to the stand alone business and enlarged group included, inter alia, expected customer service reductions or project delays reducing monthly revenue for the stand alone business by up to 35% (depending on customer segment) at peak effect, potential increased challenges with customer receipts (of up to 5 debtor days, depending on customer segment), acceleration of supplier payments and the level of UK Government support available through formal schemes such as the Coronavirus Job Retention Scheme.

Broadreach Group Limited, and the Support Services Division of which it is a part, has proven resilient in the face of the COVID-19 pandemic. Overall the Division has continued to generate profit and cash during the period, albeit at a reduced level, with COVID-19 estimated to have been responsible for a c.9% revenue decrease during the first lock-down period. The business has worked closely with its customers to maintain critical services and has benefited from the use of the Coronavirus Job Retention Scheme to maintain its employment levels.

Whilst the experience of the initial phase of the COVID-19 pandemic suggests that the directors' forecast reasonable worst case may be more severe than recent trading experience in the first phase lockdown, the directors consider that the limited duration of the pandemic to date does give rise to a level of uncertainty over the impact to the business arising from a potential second wave lockdown and associated recession, together with an uncertainty over the level of Government support available in future. This may lead to further impact on cash generation, working capital and therefore covenant headroom and liquidity, should plausible further downside risks occur as a result of the economic impact of COVID-19 on the sector as a whole. In addition, the directors' ability (in their role as subsidiary directors within an enlarged group) to foresee, influence or take appropriate mitigating actions that may be necessary in the future at an enlarged group level are likely to be more limited than they currently are as part of the IGL Group.

Material uncertainty over going concern

The directors have considered the various risks and uncertainties mentioned above and have concluded that collectively they represent a material uncertainty which may cast significant doubt upon Broadreach Group Limited's ability to continue as a going concern.

Nevertheless, after considering the current trading performance of the Company during the initial COVID-19 lockdown period, the forecast trading performance of the Company if, as expected, the transaction with Mitie concludes, and the forecast trading within the IGL group if it does not, the directors have a reasonable expectation that Broadreach Group Limited 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. Accordingly, these financial statements do not include any adjustments that would result if Broadreach Group Limited was unable to continue as a going concern.

Broadreach Group Limited (Registered number: 02427982)

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

2. **ACCOUNTING POLICIES - continued**

Changes in significant accounting policies

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 adoption of this new Standard would have resulted in the company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

For contracts in place at the date of initial application, the company would have elected to apply the definition of a lease from IAS 17 and IFRIC 4 and would not have applied IFRS 16 to arrangements that were previously not identified as a lease under IAS 17 and IFRIC 4.

At this date, the company would have also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the company would have relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

There was no impact as a result of transition to IFRS16 in the Companies accounts of the year ended 31 December 2019

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 for the year

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

Broadreach Group Limited (Registered number: 02427982)

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

2. **ACCOUNTING POLICIES - continued**

Investments in subsidiaries

Investments are stated at cost less provision for any impairment in value.

Finance costs

Borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred. Differences between borrowing costs payable in the year and costs actually paid are shown in accruals in the balance sheet.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective rate applicable.

Financial Instruments

Impairment of financial assets

Recognition of credit losses is no longer reliant on the group first identifying a credit loss event but instead the group considers a wider range of information when assessing credit risk and measuring expected credit losses. This information includes past events, current conditions and reasonable forecasts in respect of the collectability of future cash flows of the instruments.

Debtors

Debtors are initially measured at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Comprehensive Income where there is objective evidence that the asset is impaired.

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, intercompany loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Statement of Comprehensive Income using the interest rate applicable to the facility and are included in accrued expenses in the balance sheet. They are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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.

Broadreach Group Limited (Registered number: 02427982)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 preparation of the financial statements, management make 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. Both critical accounting judgements and the key sources of estimation uncertainty are discussed in more detail below:

Critical accounting judgements

In the preparation of the financial statements, whilst management make certain judgements, there are no critical accounting judgements contained within these accounts.

Key sources of estimation uncertainty

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

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 £90,170 (2018: £90,172) with £Nil (2018: £Nil) of impairment losses recognised in 2019.

Carrying value of amount owed by Group undertaking

The recoverability of the loan to a Group subsidiary requires a review of that company's balance sheet to determine if they have the means to repay the loan. The carrying amount of this loan at the balance sheet date was £117,032 (2018: £116,608). No impairments have been considered necessary (2018: £nil).

3. EMPLOYEES AND DIRECTORS

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

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

During the year Messrs S Pound was remunerated for her services to the Group by Interserve Plc, and subsequently as of 15 March 2019, Interserve Group Limited.

Messrs C Ling and P Clark were remunerated for their services to the Group by Intersevefm 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 a director.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019	2018
	£	£
Group interest income	<u>3,604</u>	<u>3,504</u>

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	£	£
Preference share dividends	<u>3,200</u>	<u>3,200</u>

Broadreach Group Limited (Registered number: 02427982)Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**6. PROFIT BEFORE TAXATION**

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

7. TAXATION**Analysis of tax (income)/expense**

	2019 £	2018 £
Current tax:		
Corporation tax	<u>(531)</u>	<u>51</u>
Total tax (income)/expense in statement of comprehensive income	<u><u>(531)</u></u>	<u><u>51</u></u>

Factors affecting the tax expense

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

	2019 £	2018 £
Profit before income tax	<u>404</u>	<u>302</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	77	57
Effects of:		
Preference dividend interest not tax deductible	608	609
Prior year tax adjustment	-	(615)
Expenses not deductible for tax purposes	<u>(1,216)</u>	<u>-</u>
Tax (income)/expense	<u><u>(531)</u></u>	<u><u>51</u></u>

8. INVESTMENTS

Shares in
group
undertakings
£

COST

At 1 January 2019 and 31 December 2019	<u>90,172</u>
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PROVISIONS

At 1 January 2019 and 31 December 2019	<u>2</u>
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NET BOOK VALUE

At 31 December 2019	<u>90,170</u>
At 31 December 2018	<u>90,170</u>

Broadreach Group Limited (Registered number: 02427982)Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**8. INVESTMENTS - continued**

The Company's investments at the Balance Sheet date in the share capital of companies include the following:

Bateman's Cleaning Services Ltd

Registered office: Capital Tower, 91 Waterloo Road, London, SE1 8RT

Nature of business: Dormant company

Class of shares:	%
Ordinary	holding 100.00

Unique Cleaning Services Ltd

Registered office: Capital Tower, 91 Waterloo Road, London, SE1 8RT

Nature of business: Dormant company

Class of shares:	%
Ordinary	holding 100.00

Baker Blythe & Company Ltd was officially struck off the Companies House register on the 3rd September 2019.

In accordance with section 409 of the Companies Act 2006, a full list of the related undertakings of the Company, as at 31 December 2019, is disclosed above. Unless otherwise stated:

- (a) the principal operations of each related undertaking are conducted in its country of incorporation or registration;
- (b) the shareholding of each related undertaking relates to ordinary, common or unclassified share capital and is equivalent to the percentage of voting rights held by the Company; and
- (c) the equity capital of each related undertaking is directly held by the Company.

All investments were reviewed during the year. The directors are satisfied that no further impairments are required at 31 December 2019.

Impairment of Investments

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 discounts 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 11.0% (2018: 11.8%).

9. DEBTORS

	2019 £	2018 £
Amounts falling due within one year:		
Intra Group trade balances	3,603	3,504
Corporation tax	<u>633</u>	<u>21</u>
	<u>4,236</u>	<u>3,525</u>

Broadreach Group Limited (Registered number: 02427982)Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**9. DEBTORS - continued**

	2019	2018
	£	£
Amounts falling due after more than one year:		
Amounts owed by Group undertakings	<u>117,847</u>	<u>116,808</u>
Aggregate amounts	<u>122,083</u>	<u>120,333</u>

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

The amount owed by group undertakings is an intercompany loan facility that expires within five years of the balance sheet date. During 2019 and 2018 interest was charged at 3% on the intercompany loan.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Other creditors	3,102	3,263
Intra Group trade balances	<u>1,791</u>	<u>815</u>
	<u>4,893</u>	<u>4,078</u>

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

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019	2018
	£	£
40,000 Preference shares of £1	<u>40,000</u>	<u>40,000</u>

The preference shares hold voting rights, are irredeemable and entitled to an 8% annual dividend. The 8% preference dividend for the year ended 31 December 2019 of £3,200 (2018: £3,200) is included in "Interest payable and similar charges".

12. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2019	2018
Number:	Class:	Nominal value:	£	£
105,264	Ordinary	£1	<u>105,264</u>	<u>105,264</u>

The authorised ordinary share capital is 475,261 shares of £1 each. Each ordinary share entitles the holder to 1 vote per share and all shares have the same rights.

Broadreach Group Limited (Registered number: 02427982)Notes to the Financial Statements - continued
for the Year Ended 31 December 2019**13. RESERVES**

	Retained earnings £	Share premium £	Totals £
At 1 January 2019	28,208	32,953	61,161
Profit for the year	<u>935</u>	<u>-</u>	<u>935</u>
At 31 December 2019	<u>29,143</u>	<u>32,953</u>	<u>62,096</u>

The share premium reserve includes proceeds from share issues over and above the nominal value of the £1 ordinary shares.

14. RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemption under FRS 101 paragraph 8(k) and not disclosed transactions with group undertakings as it was a wholly owned subsidiary of Interserve Group Limited as at 31 December 2019.

Broadreach Group Limited (Registered number: 02427982)

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

15. POST BALANCE SHEET EVENT

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

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

The company 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, reductions in services and delays to the commissioning of project work, both in the public and private sector, partially offset by additional services requested in sectors such as health and some central government customers.

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.

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

The Interserve Group is conducting a comprehensive investigation into the attack and its remediation measures are ongoing, progressing well and in line with expectations. This main investigation concluded on 7 September as per plan. The investigation has identified no evidence of data exfiltration having taken place.

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

On 25 June 2020, Mitie Group plc announced the proposed merger with Interserve Support Services for a combined consideration of £271 million comprising £120 million in cash and a 23.4% shareholding in the Mitie Group. Completion of the transaction is subject to certain conditions precedent including approval by the Competition and Markets Authority and the Pensions Regulator but is expected to complete by the end of this year.

16. ULTIMATE CONTROLLING PARTY

The Company's immediate parent company is MacLellan Group 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 can be obtained via the Interserve website at www.interserve.com.