REGISTERED NUMBER: 02820560 (England and Wales)

Strategic Report, Report of the Directors and

Financial Statements for the Year Ended 31 December 2019

for

Interservefm Ltd

Contents of the Financial Statements
for the Year Ended 31 December 2019

Interservefm Ltd

Company Information
for the Year Ended 31 December 2019

DIRECTORS:	P Clark J Lambert L Mawdsley
SECRETARY:	S Pound
REGISTERED OFFICE:	Capital Tower 91 Waterloo Road London SE1 8RT
REGISTERED NUMBER:	02820560 (England and Wales)
AUDITORS:	Grant Thornton UK LLP Chartered Accountants and Statutory Auditor 2nd Floor St John's House Haslett Avenue Crawley RH10 1HS

Strategic Report
for the Year Ended 31 December 2019

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

PRINCIPAL ACTIVITY
Interservefm Ltd was a wholly owned subsidiary of Building & Property (Holdings) Limited, following its sale on the 30 April 2020 it became a wholly owned subsidiary of Interservefm Holdings Limited. The operating loss of the company before exceptional items in the year was £4,366k (2018: £2,297k loss). A dividend of £nil (2018: £nil) was proposed and paid during the year. No further dividends are proposed.

Interserve launched a group wide performance improvement plan, Fit for Growth, aimed at improving margin performance to industry norms. As part of this, a series of work streams have been initiated to address the operating model and cost base of operations, as well as ensuring that the group is operating in market segments which are both profitable and offer opportunity for growth. This resulted in exceptional costs for year ending 31 December 2018.

There was a significant investment impairment recognised during the year, due to forecast under performance of subsidiaries. The company recognised an impairment of its investment in Interserve FS (UK) Limited of £62,771k.

The principal activity for Interservefm Ltd's subsidiary undertakings is the provision of a comprehensive range of facilities and asset management and services to both public and private sector clients. The principal risks and uncertainties faced by its subsidiaries are discussed in detail in the financial statements of the subsidiaries and do not form part of these financial statements.

Financial performance is assessed through the key measures of turnover and operating profit, as per the statement of total comprehensive income on page 13. Interserve is dedicated to delivering sustainable shareholder value by working in partnership with its clients.

COVID-19
Interservefm Ltd, 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.

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.

Non Adjusting Post Balance Sheet Event
At the date of signing these financial statements, the directors, through their impairment review processes have identified a further impairment to the carrying value of investments of £64,978k as a result of events which occurred in 2020 which resulted in a reduction in cashflow forecasts within those impairment models. After this impairment charge, which will be reflected in the financial statements for the year ended 31 December 2020, the carrying value of investments will be £115,939k.

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 and generate strong cash conversion, alongside the wellbeing of everyone working for the Company.

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. The number of Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDORS) in the Company for the year was nil (2018: nil) and the Company employee voluntary turnover in the year has been 21% (2018: 2%).

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.

Inflation risk

A proportion of the company's revenue and costs are linked to inflation. A number of contracts allow any inflationary movement to be passed onto the customer allowing the company to maintain its margin. Where there is not a suitable mechanism for passing on inflationary costs and this risk is borne by the company then a suitable premium will be included within the contract price. In addition the company will look to maintain its margin through efficiency savings and renegotiating terms on contract renewal.

Liquidity risk

The company seeks to maintain sufficient facilities to ensure access to funding for our current and anticipated future requirements, determined from budgets and medium term plans.

The company used banking facilities negotiated on its behalf by Interserve Plc, and since 15 March 2019 those of Interserve Group Limited

Finance and foreign exchange risk

The company is financed by interest free loans and interest bearing loans from group undertakings and a bank overdraft that is subject to a group off set facility.

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.

GOING CONCERN

The financial statements have been prepared on a going concern basis, which assumes that Interservefm Ltd 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, Interservefm Ltd is a wholly owned subsidiary of Interserve Group Limited ("IGL"), however it is anticipated that before the end of 2020 Interservefm Ltd 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 Interservefm Ltd 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 Interservefm Ltd 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 Interservefm Ltd 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 Interservefm Ltd. Should, for any reason, the acquisition not proceed, Interservefm Ltd 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.

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.

Interservefm Ltd, 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 Interservefm Ltd'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 Interservefm Ltd 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 Interservefm Ltd was unable to continue as a going concern.

SECTION 172(1) STATEMENT

Section 172 of the Companies Act requires directors to take the following matters into consideration in their decision making: the likely consequences of any decision in the long term; the interests of employees and shareholders; the need to build relationships with other key stakeholders, including customers and suppliers; the impact of the company's operations on the communities and environment they operate in; and the benefits of maintaining a reputation for high standards of business conduct.

When considering key or strategic matters the Directors have regard for their duties owed on a company basis and not just on a Divisional or Group basis. The Directors have access to expert legal advice through the Group's panel of internal and external legal advisors when considering such matters. The Directors also receive updates and refreshers on their duties and responsibilities as directors from the Group's legal advisors.

The directors of the company meet on a regular basis as part of the Support Services Divisional Leadership team, and matters are regularly tabled, which the directors should have regard to under Section 172, at their meetings and they recognise that the success of the company is dependent on the way it works with its key stakeholders. When making decisions, particularly of a strategic nature, the directors have regard to the likely long-term impact of these decisions and also their responsibilities and duties to the company's shareholders and other stakeholders. The directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of the company, and the company's shareholders, creditors, employees and other stakeholders having regard to those matters. The following explains how the directors have done this for the period 1st January 2019 to the date of this Report.

The directors of the company are committed to operating in accordance with the Group's values and to considering the interests of all its stakeholders in the decisions they make.

Shareholders

As mentioned under the 'Review of Business' on page 2, on 15th March 2019, Interserve Plc, the previous ultimate controlling party of the company was placed into Administration and the new ultimate controlling party, Interserve Group Limited, was formed. The directors of the company maintain regular engagement with Group and the Group's shareholders/lenders regarding the company's business and associated risks and opportunities.

As part of the Group's Deleveraging in March 2019 the directors of the company have made key decisions relating to the provision of guarantees and security to the Group in respect of its re-financing, including its most recent financing facilities; restructuring of the company's inter-company loans with Group; re-alignment of the company's existing guarantees to the Group banking facilities from Interserve Plc to Interserve Group Limited; and the going concern of the company.

Employees

The Directors recognise that engagement with the company's employees is key to ensuring the success of the company and to maintain its competitive advantage and to meet the challenges of the uncertain and changing environment the company operates in. The directors recognise that the success of the company is dependent on the company's employees' commitment to the company and through them demonstrating the values of the Group. The directors also need to retain their key people and recruit, and train effective new people where necessary. The health, safety and wellbeing of the company's employees is fundamental to the way the company operates.
The directors undertake regular site visits to review operations, health and safety performance and to engage with employees across the business. The directors also actively promote the Your Voice Employee Engagement Survey and other employee engagement initiatives. As a result of the engagement initiatives, robust action planning is in place to support feedback from employees to the Your Voice survey.

Community

The directors recognise that it is vital that the company engages with the local communities in which the company operates and that strong community relationships are key.

The directors continue to support the Group's 'Give a day of your time' initiative allowing staff to proactively work with customers and suppliers to support local community causes and charities. The directors actively support a range of charitable giving and partnership, including the annual Poppy Appeal, Armed Forces Week and the Oasis Charitable Trust.

Environment
The directors recognise that Sustainability is a key part of the company's core values as a business, so engagement in relation the environment in which the company operates is a key part of its operations.

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS
The company engages with its stakeholders and understanding their needs is fundamental to how we do business and plan for the future. We are in regular and open dialogue with all stakeholder groups to ensure their views are taken into account so that we can continue to deliver best-in-class services. The feedback we receive from our engagement actively helps inform and shape the way in which we deliver our services. We employ a range of methods to ensure that we act upon the results of our engagement processes and these are explored below. We are always looking to build upon the strong relationships that exist with those we interact with to create better outcomes for all.

The company has several formal processes in place to ensure we maintain the highest standards of customer service and performance across the business. On a broad level, we conduct an annual customer survey of all key stakeholders which feeds in to developing our offering year-on-year. Our dedicated Customer and Workplace Experience team follows up on any resulting actions and interventions, ensuring we adapt with our customers' changing needs.

The company has a strong and loyal supply chain with whom we work collaboratively to deliver best-in-class service for our customers. As such, payment terms and timing of payments to our valued supplier partners remains a key area of focus across the business and one which we continue to take very seriously.

EMPLOYEE INVOLVEMENT AND DISABLED EMPLOYEES
The group recognises the importance of good communications and ensures that employees are informed of matters affecting them as appropriate.

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment within the group may continue.

ON BEHALF OF THE BOARD:

P Clark - Director

28 September 2020

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 and the S172 disclosures are not included within the report of the Directors as they are shown in the Strategic Report on pages 2 - 8.

PRINCIPAL ACTIVITY
The principal activity for Interservefm Ltd's subsidiary undertakings is the provision of a comprehensive range of asset management and maintenance services to both public and private sector clients. The principal risks and uncertainties faced by its subsidiaries are discussed in detail in the financial statements of the subsidiaries and do not form part of these financial statements.

DIVIDENDS
A dividend of £nil was paid during the year (2018: £nil).

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

P Clark
J Lambert

Other changes in directors holding office are as follows:

C Ling - resigned 28 February 2019
L Mawdsley - appointed 15 February 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES
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), including FRS101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR
The directors confirm that:

(1) So far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and

(2) the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant 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.

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

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.

ON BEHALF OF THE BOARD:

P Clark - Director

28 September 2020

Opinion
We have audited the financial statements of Interservefm Ltd (the 'company') for the year ended 31 December 2019 which comprise the Statement of Total 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 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.

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 Statement of Directors' Responsibilities set out on page 9, 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.

Grant Thornton UK LLP

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

28 September 2020

Statement of Total Comprehensive Income for the Year Ended 31 December 2019

	Notes	2019 £'000	2018 £'000
TURNOVER	3	44,355	48,092
Cost of sales		(43,990)	(48,092)
GROSS PROFIT		365	-
Administrative expenses		(4,732)	(2,297)
OPERATING LOSS BEFORE EXCEPTIONALS		(4,367)	(2,297)
Exceptional costs	5	(1,517)	(4,712)
Impairment of investments	7	(62,771)	-
OPERATING LOSS AFTER EXCEPTIONALS		(68,655)	(7,009)
Interest receivable and similar income	6	-	49
Interest payable and similar expenses	8	(13,359)	(12,634)
LOSS BEFORE TAXATION	9	(82,014)	(19,594)
Tax on loss	10	62	(602)
LOSS FOR THE FINANCIAL YEAR		(81,952)	(20,196)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(81,952)	(20,196)

The notes form part of these financial statements

Balance Sheet
31 December 2019

	Notes	2019 £'000	2018 £'000
FIXED ASSETS			
Owned			
Intangible assets	11	53	243
Tangible assets	12	243	856
Right-of-use			
Tangible assets	12, 18	16,441	-
Investments	13	180,917	243,688
		197,654	244,787
CURRENT ASSETS			
Debtors	14	95,648	64,859
Cash in hand		-	17,297
		95,648	82,156
CREDITORS			
Amounts falling due within one year	15	(163,322)	(112,080)
NET CURRENT LIABILITIES		(67,674)	(29,924)
TOTAL ASSETS LESS CURRENT LIABILITIES		129,980	214,863
CREDITORS			
Amounts falling due after more than one year	16	(307,522)	(309,831)
PROVISIONS FOR LIABILITIES	19	(394)	(1,016)
NET LIABILITIES		(177,936)	(95,984)
CAPITAL AND RESERVES			
Called up share capital	20	15,000	15,000
Retained earnings		(192,936)	(110,984)
SHAREHOLDERS' FUNDS		(177,936)	(95,984)

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

Statement of Changes in Equity for the Year Ended 31 December 2019

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018	15,000	(90,788)	(75,788)
Changes in equity			
Total comprehensive income	-	(20,196)	(20,196)
Balance at 31 December 2018	15,000	(110,984)	(95,984)
Changes in equity			
Total comprehensive income	-	(81,952)	(81,952)
Balance at 31 December 2019	15,000	(192,936)	(177,936)

The notes form part of these financial statements

1. STATUTORY INFORMATION

Interservefm 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
Inteserevefm 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 pages 2 to 8.

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 and are presented in sterling which is the functional currency of the company.

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 24 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 cashflow statement, standards not yet effective, impairment of assets and related party transactions.

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 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 IAS 7 Statement of Cash Flows.

Going concern
The financial statements have been prepared on a going concern basis, which assumes that Interservefm Ltd 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, Interservefm Ltd is a wholly owned subsidiary of Interserve Group Limited ("IGL"), however it is anticipated that before the end of 2020 Interservefm Ltd 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 Interservefm Ltd 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 Interservefm Ltd on the basis that the acquisition does not proceed and the company remains part of the IGL group for the forecast period.

continued...

2. **ACCOUNTING POLICIES - continued**

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 Interservefm Ltd 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 Interservefm Ltd. Should, for any reason, the acquisition not proceed, Interservefm Ltd 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.

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.

Interservefm Ltd, 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.

continued...

2. **ACCOUNTING POLICIES - continued**

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 Interservefm Ltd'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 Interservefm Ltd 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 Interservefm Ltd was unable to continue as a going concern.

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:

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 using the ECL model brought in with the advent of IFRS 9.

Investments
The valuation of the investments is based upon forecast profitability and related cash flows of the investments and discounting of these to net present value. The forecasts are based upon the directors estimation of factors that will impact the profitability and cash flows which involve significant estimation and uncertainty. The discount rate is based upon the Group discount rate and whilst it is the directors view that this is an appropriate discount factor, there could be factors that impact the individual investments which could require an adjustment to the discount rate.

IFRS16 Adoption
The present value of lease payments are calculated using the Interserve Group's incremental borrowing rate (IBR) at date of initial application. In determining the IBR to be used, the Group considers the economic environment by applying a risk-free rate for the term corresponding to the lease term. This rate is adjusted for liquidity risk and credit risk. The Group's credit risk was determined using an S&P credit rating methodology and a synthetic credit rating was derived of B+ at 1 January 2019 and BB at 15 March 2019. These ratings were then used to derive the associated yields on the issued debt and enabled the calculation of a credit spread being the difference between the yield on a B+ or BB rated bond and a Government bond with zero risk. The occurrence in the future of a significant economic or financial event will trigger the Group to reassess its incremental borrowing rate for new leases entered into at that time. The appropriate IBR was considered by reference to the Company's main lease categories of property, vehicles and plant and machinery, the weighted average of which amounted to 4.38% at the date of transition to IFRS 16.

continued...

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 has 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.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

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

At this date, the company has 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 has 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.

	£m
Operating lease commitments as at 31 December 2018	27
Less: short-term and low value leases recognised on a straight line basis as expense	-
Discounted using the lessee's incremental borrowing rate at the date of initial application	(2)
Finance lease liabilities recognised as at 31 December 2018	
Lease liabilities as at 1 January 2019	25

The lease liabilities were discounted at the borrowing rate as at 1 January 2019. The weighted average discount rate was 4.38%.

Turnover
Turnover represents the recharge of centralised Services to the Interserve Support Services division. The costs relate to HR, IT, HSE and Finance departments who all provide support to the Support Services Division.

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	20 - 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.

 continued...

2. **ACCOUNTING POLICIES - continued**

Tangible fixed assets
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**
Long leasehold	lease period
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 profit and loss, 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 profit and loss, 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.

continued...

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 statement of total comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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

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

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

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

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

continued...

2. **ACCOUNTING POLICIES - continued**

Leases
For any new contracts entered into on or after 1 January 2019, the company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the right-of-use asset) for a period of time in exchange for consideration'. To apply this definition the company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the company;

- the company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the company has the right to direct the use of the identified asset throughout the period of use; and

- the company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use;

The company calculates the outstanding liability for existing operating leases using its incremental borrowing rate at date of transition.

Measurement and recognition of leases as a lessee
At lease commencement date, the company recognises a right-of-use asset and a lease liability on the balance sheet. The lease liability is measured at an amount equal to the present value of future lease payments over the lease term, and subsequently adjusted for interest and lease payments. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, an estimate of any costs to dismantle and remove the asset at the end of the lease, payments made at or before lease commencement date, less any incentives received. The right-of-use asset is measured at cost less accumulated depreciation.

The company is required to reassess the lease liability for changes in cash flows that are the result of contractual clauses that have been a part of the contract since inception. The liability will, therefore, be reassessed for changes in lease term due to extension or termination options being exercised, variable lease payments that are dependent on an index or a rate, the exercise of a purchase option and changes in amounts expected to be paid under a residual value guarantee. The company also assesses the right-of-use asset for impairment when such indicators exist.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The company has applied the recognition exemption available for short-term leases (lease term of 12 months or less) and leases of low-value assets; £5,000 or less. Where this exemption has been applied, lease payments are recognised as a straight-line operating expense over the lease term.

The company has taken certain practical expedients available under the IFRS 16 Standard:

Separation of lease components from non-lease components:
The company has elected not to separate lease components from associated non-lease components on vehicle leases, and instead account for these as a single lease component. The service costs on leased vehicles are regarded as a non-lease component, and incorporated into the fixed rental payments.

Initial direct costs:
Costs incurred in negotiating or securing a lease arrangement form part of the initial measurement of the right of use asset. The company has taken a practical expedient to exclude such costs from the right of use assets recognised under IFRS 1

continued...

2. **ACCOUNTING POLICIES - continued**

Onerous lease provisions:
The company has applied IAS 37 Provisions, Contingent Liabilities and Contingent Assets to assess whether leases are onerous as an alternative to performing an impairment review. The right-of-use asset is adjusted at date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application. Thereafter the right-of-use asset is tested for impairment if events indicate that the carrying value may not be recoverable.

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in statement of total comprehensive income.

Exceptional items
Exceptional items are those that the company consider to be non-recurring and significant in size or in nature. Exceptional items include: the costs of redundancy programmes and performance improvement plans.

Financial instruments
The risk regarding all material foreign currency trading exposures in 2018 was managed by Interserve Plc, and subsequently as of 15 March 2019, Interserve Group Limited. Both evaluate the total group position and offset any exposure as part of the Group banking facilities.

Trade Receivables
Trade receivables are initially measured at fair value, and subsequently at their amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

Impairment of financial assets
The expected credit loss model (ECL) as part of IFRS 9 impairment requires the use of forward looking information to evaluate expected credit losses. Instruments within the scope of IFRS 9 included loans measured at amortised cost, trade receivables and contract assets recognised and measured under IFRS 15.

The group considers a wide 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.

Fixed asset investments
Fixed asset investments, including investments in subsidiaries and associates, are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

Pensions
The company participates in the Interserve Pension Scheme. This is a defined benefit multi employer scheme, the assets and liabilities of which are held independently from the group. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

For the defined contribution scheme the amount charged to the statement of total comprehensive income in respect of pension costs and other post retirement benefits is the contribution 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.

continued...

2. ACCOUNTING POLICIES - continued

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

Contingent liabilities are disclosed in the notes to the financial statements in respect of guarantees given to the Company's subsidiaries, associated undertakings, joint ventures and pension scheme. Due to the nature of the guarantees it would be difficult to reliably measure the Company's potential obligation and the Company considers it unlikely that there will be requirement to make a financial settlement as a result of these guarantees.

Share based payments
As of 15 March 2019, when Interserve Plc was placed into administration, the new parent company, Interserve Group Limited, which is no longer a Public Limited Company (Plc) had no shares in which to issue and therefore, would no longer issue equity share based payments in the future.

3. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2019	2018
	£'000	£'000
United Kingdom	44,355	48,092
	44,355	48,092

continued...

4. EMPLOYEES AND DIRECTORS

Staff costs during the year (including directors):	2019 £'000	2018 £'000
Wages and salaries	21,231	25,372
Social security costs	2,430	2,678
Other pension costs	9,867	8,732
Share based payment charge	-	44
	33,528	36,826

The average number of administrative employees during the year was 519 (2018: 671 employees).

Directors emoluments

	2019 £'000	2018 £'000
Emoluments	1,336	1,037
Pension contributions	111	-
Emoluments	1,447	1,037

Highest paid director:	£'000	£'000
Emoluments	395	409
Pension contributions	7	-

No directors are members of a defined benefit pension scheme (2018: no directors).

5. EXCEPTIONAL COSTS

	2019 £'000	2018 £'000
Fit for growth costs	630	2,948
Restructuring costs	887	1,764
	1,517	4,712

The Fit for Growth costs relate to Interserve's group wide performance improvement plan which is aimed at improving margin performance throughout the year.

The restructuring costs relate to both the relocation of staff to the new Interserve centralised office based in Birmingham and also IT, Finance and admin costs relating to the sale of the Industrial business.

The exceptional costs reduced the tax charge to the statement of total comprehensive income by £288k (2018: £895k).

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £'000	2018 £'000
Group interest income	-	49

continued...

7. AMOUNTS WRITTEN OFF INVESTMENTS

	2019	2018
	£'000	£'000
Impairment of investments	62,771	-

The outcome of the annual test on the Company's Investments resulted in an Impairment of Interserve FS (UK) Limited holding value by £64,122k.

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	£'000	£'000
Other interest expense	26	15
Interest payable	12,431	12,619
Interest expense on leases	902	-
	13,359	12,634

9. LOSS BEFORE TAXATION

	2019	2018
Operating Loss before taxation is stated after charging:	£'000	£'000
Amortisation of intangible assets	63	77
Depreciation of tangible assets	9,268	586
Hire of plant and equipment	24	14
Rental charges for other operating leases	-	7,715
Auditors remuneration - audit fee *	378	378
Share-based payments	-	44

* Interservefm Ltd bore the audit fee for its subsidiary companies and its immediate parent undertaking. The charge for Interservefm Ltd was £5k (2018: £5k).
**Change in accounting policy this year, in 2018 Operating leases were recognised and charged straight to the Profit/Loss now under IFRS 16 these lease costs are accounted for as Finance leases which is shown in the increase of deprecation.

10. TAXATION

Analysis of tax (income)/expense

	2019	2018
	£'000	£'000
Current tax:		
Corporation Tax	(3,365)	(3,591)
Prior year Tax Adjustment	3,591	4,181
Total current tax	226	590
Deferred tax:		
Current year	(169)	(111)
Prior Period Adjustment	(119)	123
Total deferred tax	(288)	12
Total tax (income)/expense in statement of total comprehensive income	(62)	602

continued...

10. TAXATION - continued

Factors affecting the tax expense
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £'000	2018 £'000
Loss before income tax	(82,014)	(19,594)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	(15,583)	(3,723)
Effects of:		
Write down value of share investment	11,927	-
Expenditure not allowable for tax purposes	102	-
Change in deferred tax rate	20	13
Adjustment in respect of previous periods	3,472	4,303
Permanent differences	-	9
deduction		
Tax (income)/expense	(62)	602

11. INTANGIBLE FIXED ASSETS

	Computer software £'000
COST	
At 1 January 2019	8,363
Additions	(252)
At 31 December 2019	8,111
AMORTISATION	
At 1 January 2019	8,120
Amortisation for year	67
Charge written back	(129)
At 31 December 2019	8,058
NET BOOK VALUE	
At 31 December 2019	53
At 31 December 2018	243

continued...

12. TANGIBLE FIXED ASSETS

	Long leasehold £'000	Plant and machinery £'000	Fixtures and fittings £'000
COST			
At 1 January 2019	1,997	22	1,761
Additions	-	24	37
Disposals	-	-	(633)
At 31 December 2019	1,997	46	1,165
DEPRECIATION			
At 1 January 2019	1,995	15	1,055
Charge for year	1	10	174
Eliminated on disposal	-	-	(308)
At 31 December 2019	1,996	25	921
NET BOOK VALUE			
At 31 December 2019	1	21	244
At 31 December 2018	2	7	706

	Motor vehicles £'000	Computer equipment £'000	Totals £'000
COST			
At 1 January 2019	-	5,199	8,979
Additions	25,504	(8)	25,557
Disposals	(472)	-	(1,105)
At 31 December 2019	25,032	5,191	33,431
DEPRECIATION			
At 1 January 2019	-	5,058	8,123
Charge for year	8,965	112	9,262
Eliminated on disposal	(330)	-	(638)
At 31 December 2019	8,635	5,170	16,747
NET BOOK VALUE			
At 31 December 2019	16,397	21	16,684
At 31 December 2018	-	141	856

Right of Use Assets
The NBV as at 31 December 2019 for Right of Use assets included in tangible assets above is £16,441k (2018: £nil).

continued...

13. INVESTMENTS

	Shares in group undertakings £'000	Interest in joint venture £'000	Totals £'000
COST			
At 1 January 2019			
and 31 December 2019	313,659	51	313,710
PROVISIONS			
At 1 January 2019	70,022	-	70,022
Provision for year	62,771	-	62,771
At 31 December 2019	132,793	-	132,793
NET BOOK VALUE			
At 31 December 2019	180,866	51	180,917
At 31 December 2018	243,637	51	243,688

continued...

13. **INVESTMENTS - continued**

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%).

During the year the company recognised an impairment of its investment in Interserve FS (UK) Limited of £62,771k.

The company's subsidiary undertakings and other investments are:

Subsidiary undertakings	**Country of incorporation/registration and operation**	**Activity**	**Percentage of ordinary shares held**
Interserve (Defence) Limited	England and Wales	Management and maintenance services	100%
Interserve (Facilities Management) Limited	England and Wales	Management and maintenance services	100%
Building & Property Trustees Limited	England and Wales	Dormant	100%
Interserve (Facilities Services) Limited	England and Wales	Dormant	100%
Interserve FS (UK) Limited	England and Wales	Contract cleaning and related services	100%
Axiam Limited*	England and Wales	Dormant	50%
Landmarc Solutions Limited*	England and Wales	Dormant	100%
Interserve (Facilities Services-Slough) Limited**	England and Wales	Management and maintenance services	100%
Interserve Catering Services Limited***	England and Wales	Catering services	100%
Interserve Integrated Services Limited***	England and Wales	Support services	100%
Knightsbridge Guarding Holdings Limited***	England and Wales	Holding company	100%
Interserve Project Services Limited***	England and Wales	Maintenance and facilities services	100%
Phoenix Fire Services Limited***	England and Wales	Fire suppression and detection systems	100%
MSS Facilities Management Limited***	England and Wales	Dormant	100%
Interserve Building Services (UK) Limited***	England and Wales	Dormant	100%
Interserve Hospital Services Limited***	England and Wales	Dormant	100%
Interserve Fire Services Limited***	England and Wales	Dormant	100%
Insitu Cleaning Company Limited***	England and Wales	Dormant	100%
Benchmark Carpet Care Limited***	England and Wales	Dormant	100%

continued...

13. **INVESTMENTS - continued**

Central Window Cleaning Company Limited***	England and Wales	Dormant	100%
Hi-Tech Cleaning Solutions Limited***	England and Wales	Dormant	100%
Phonotas Services Limited***	England and Wales	Dormant	100%
Retail Cleaning Services Limited***	England and Wales	Dormant	100%
St James Cleaning and Support Services Limited***	England and Wales	Dormant	100%
Lancaster Office Cleaning Company Limited***	England and Wales	Dormant	100%
KGL Business Services Limited***	England and Wales	Dormant	100%
Perception UK LLP***	England and Wales	Dormant	100%
Interserve Security (Knightsbridge) Limited*****	England and Wales	Manned guarding security services	100%
Lancaster Payroll Company Limited*******	England and Wales	Dormant	100%
Lancaster Employment Business Limited*******	England and Wales	Dormant	100%

Joint Ventures

Landmarc Support Services Limited*	England and Wales	Management and maintenance services	49%
PriDE (SERP) Limited*	England and Wales	Management and maintenance services	50%
Landmarc Pension Scheme Trustees Limited******	England and Wales	Corporate trustee of pension scheme	49%
Sussex and Estates Facilities LLP****	England and Wales	Facilities management services	35%

* Companies owned through Interserve (Defence) Limited
** Companies owned through Interserve (Facilities Services) Limited
*** Companies owned through Interserve FS (UK) Limited
**** Companies owned through Interserve (Facilities Management) Limited
***** Companies owned through Knightsbridge Guarding Holdings Limited
****** Companies owned through Landmarc Support Services Limited
******* Companies owned through Lancaster Office Cleaning Company Limited

All of the above subsidiary undertakings and joint ventures have the following registered office:
Registered office: Capital Tower, 91 Waterloo Road, London SE1 8RT

Entity	**Latest Year End £'000**	**Net Assets £'000**	**Total Comprehensive Income £'000**
Landmarc Support Services Limited	31 March 2019	5,328	2,287
PriDE (SERP) Limited	31 March 2019	27	1
Sussex Estates and Facilities LLP	31 July 2019	2,530	2,429

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14. DEBTORS

	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	7,221	4,933
Amounts owed by group undertakings	80,673	53,253
Other debtors	665	4
Corporation tax	2,372	2,023
Deferred tax asset	2,888	129
Prepayments and accrued income	1,829	2,045
	95,648	62,387
Amounts falling due after more than one year:		
Deferred tax asset	-	2,472
Aggregate amounts	95,648	64,859

Deferred tax asset

	2019	2018
	£'000	£'000
Deferred tax < 1 year	-	129
Deferred tax liabilities greater than one year	2,888	2,472
	2,888	2,601

Amounts due from group undertakings are unsecured, interest free and repayable on demand. Intra group trade balances are amounts arising from the company trading with other entities within the group.

DEFERRED TAXATION

The deferred tax asset consists of the following amounts:	£'000	£'000
Accelerated capital allowances	2,651	2,485
Other timing differences	237	116
	2,888	2,601

	2019	2018
The movements in deferred tax are as follows:	£'000	£'000
As at 1 January 2019	2,601	2,613
Adjustment in respect of prior years	168	(123)
Current year credit to the statement of total comprehensive income	119	111
As at 31 January 2019	2,888	2,601

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15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Bank loans and overdrafts (see note 17)	62,869	-
Leases (see note 18)	8,090	-
Trade creditors	2,940	4,350
Amounts owed to group undertakings	69,482	84,242
Social security and other taxes	8,104	7,801
Other creditors	5,686	6,988
Deferred income	6,151	8,699
	163,322	112,080

Amounts due to group undertakings are unsecured, interest free and repayable on demand. Intra group trade balances are amounts arising from the company trading with other entities within the group.

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

	2019 £'000	2018 £'000
Leases	8,679	-
Amounts owed to group undertakings	298,492	309,480
Other creditors	351	351
	307,522	309,831

The intercompany loan exists with Interserve Finance Limited. Interest is payable at 4% and the loan is repayable in September 2021.

17. FINANCIAL LIABILITIES - BORROWINGS

	2019 £'000	2018 £'000
Current:		
Bank overdrafts	62,869	-
	62,869	-

Terms and debt repayment schedule

	1 year or less £'000	2-5 years £'000	Totals £'000
Bank overdrafts	62,869	-	62,869
	62,869	-	62,869

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18. LEASING

Right of use assets	Plant & machine ry £'000	Motor vehicles £'000	Fixture s & fittings £'000	Total £'000
COST				
As at 1 January 2019	-	-	-	-
Additions	25	25,032	37	25,094
As at 31 December 2019	25	25,032	37	25,094
DEPRECIATION				
As at 1 January 2019	-	-	-	-
Charge for year	7	8,635	10	8,652
As at 31 December 2019	7	8,635	10	8,652
NET BOOK VALUE				
As at 31 December 2019	18	16,397	27	16,442
As at 31 December 2018	-	-		-

Lease liabilities

Minimum lease payments fall due as follows:	2019 £'000
Within one year	8,256
Between one and five years	9,400
After five years	37
Total minimum lease payments	17,693
Future finance charges	(924)
Present value of lease liabilities	16,769

19. PROVISIONS FOR LIABILITIES

	RestructuringP rovision £'000	**OtherPro vision £'000**	**TotalPr ovision £'000**
As at 1 January 2019	600	416	1,016
Utilised during the year	(406)	(216)	(622)
Charge to the income statement for the year	-	-	-
As at 31 December 2019	194	200	394

The restructuring provision relates to Interserve's group wide performance improvement plan, Fit for Growth, aimed at improving margin performance to industry norms which were outstanding at 31 December 2018.

The other provision consists of two provisions. The first is a provision for specified ex-civil servants who are entitled to additional monthly payroll to support their pension arrangements in the event of being made redundant before retirement age. The second relates to excess mileage on company cars.

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20. CALLED UP SHARE CAPITAL

Allotted and issued:

Number:	Class:	Nominal value:	2019 £'000	2018 £'000
100	Share capital 1	1	15,000	15,000
6,200	Share capital 2	0.01	-	-
15,000,000	Share capital 3	1	-	-
			15,000	15,000

	2019	2018
Authorised		
100 Deferred shares of £1 each	100	100
6,200 Ordinary shares of US$0.01 each	62	62
15,000,000 Redeemable ordinary shares of £1 each	15,000,000	15,000,000
Alloted, called up and fully paid		
2 Deferred shares of £1 each	2	2
6,158 Ordinary shares of US$0.01 each	62	62
15,000,000 Redeemable ordinary shares of £1 each	15,000,000	15,000,000

The redeemable ordinary shares of £1 each rank pari passu with the ordinary shares and are repayable by the company on demand, at par.

Deferred shares
Deferred shareholders are not entitled to attend and vote at any general meeting.

The deferred shares can be repurchased at any time for an aggregate consideration of 0.001p.

The shareholders of the deferred shares shall not be entitled to any participation in the profits or the assets of the company. On a winding up the deferred shareholders are entitled to the amount paid after the ordinary shareholders have been paid £100,000,000 per ordinary share.

Retained earnings are the profits since inception generated by a company that are not distributed as dividends to the shareholders.

21. CONTINGENT LIABILITIES

At 31 December 2019 there were contingent liabilities in respect of guarantees given in the ordinary course of business. The company has given guarantees covering banking facilities made available to the parent and fellow subsidiary undertakings. At 31 December 2019 these amounted to £319,188k (2018: £1,052,838k).

22. 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.

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23. **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.

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.

Non Adjusting Post Balance Sheet Event
At the date of signing these financial statements, the directors, through their impairment review processes have identified a further impairment to the carrying value of investments of £64,978k as a result of events which occurred in 2020 which resulted in a reduction in cashflow forecasts within those impairment models. After this impairment charge, which will be reflected in the financial statements for the year ended 31 December 2020, the carrying value of investments will be £115,939k.

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24. ULTIMATE CONTROLLING PARTY

Building & Property (Holdings) Limited, a company registered in England and Wales, is the company regarded by the directors as the immediate parent company.

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.

25. EMPLOYEE BENEFIT OBLIGATIONS

The Company contributes to a defined benefit pension scheme in the UK, the Interserve Pension Scheme, where benefits are generally related to service and final salary. The Interserve Pension Scheme comprises two segregated sections (referred to as the Interserve and Landmarc sections), with assets and liabilities ring-fenced. The Company is only associated with the Interserve section, which has multiple participating Interserve Group employers, and has contributed 46% of total contributions in the year (2018: 46%). If one employer in the Interserve section undergoes insolvency proceedings, the remaining employers will be liable to meet any underfunding in the usual way under the Pensions Act 2004 statutory funding regime and employer debt legislation.

The Company operates a defined contribution plan for new hires, with membership of the defined benefit arrangements only permitted when specific contract terms require defined benefit provision. Contributions to the defined contribution arrangements are in addition to those set out below and are charged directly to profit and loss.

The Interserve pension scheme has been valued for the purposes of IAS 19 Employee benefits. The pension scheme valuation information has been updated by Lane Clark & Peacock LLP, qualified independent actuaries, to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme as at 31 December 2019.

However, the Company has been unable to identify its share of the underlying assets and liabilities in the main group scheme on a consistent and reasonable basis. Therefore, the Company is accounting for contributions to the Scheme as if it were a defined contribution scheme.

The current funding target for the Group's defined benefit scheme is to maintain assets equal to the value of the accrued benefits based on projected salaries (where relevant). The regulatory framework in the UK requires the Trustees and Group to agree upon the assumptions underlying the funding target, and then to agree upon the necessary contributions required to recover any deficit at the valuation date. There is a risk to the Group that adverse experience could lead to a requirement for the Company to make considerable contributions to recover any deficit.

The Interserve pension scheme has a net pension surplus of £102.3m (2018: Surplus of £93.9m). The aggregate pension cost incurred by the company for the year for these arrangements was £9,867k (2018: £8,732k). There were no amounts due to or from the scheme at either year end.

After 31 December 2017 a triennial actuarial valuation of the Interserve Pension Scheme was completed in 2019, with an effective date of 31 December 2017 and the future contribution rates were agreed as part of this exercise. Based on the resulting Schedule of Contributions currently in place, Group contributions are expected to be £20.3 million to the various defined benefit arrangements during 2020 (including deficit contributions to the Interserve section of the Interserve Pension Scheme of £15.0 million).