

Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 December 2015
for
Maclellan Management Services Limited

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for the Year Ended 31 December 2015

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Maclellan Management Services Limited

Company Information
for the Year Ended 31 December 2015

DIRECTORS:

B Melizan
M Watson
P Clark

SECRETARY:

S Pound

REGISTERED OFFICE:

Capital Tower
91 Waterloo Road
London
SE1 8RT

REGISTERED NUMBER:

03385466 (England and Wales)

AUDITOR:

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

Strategic Report
for the Year Ended 31 December 2015

The directors present their strategic report for the year ended 31 December 2015.

The principal activity of the company is the provision of operational and administrative personnel and management services to other group companies. The company is reliant on fellow group companies for its ongoing trading ability in its current form.

REVIEW OF BUSINESS

Turnover reduced in 2015 to £90,174,000 (2014: £93,344,000) and the company returned a loss after tax of £229k in 2015 (2014: Profit £45k).

Key Performance Indicators

Interserve Plc Group manages its operations on a divisional basis, further information can be found in the Interserve Plc financial statements. For this reason, the directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business.

PRINCIPAL RISKS AND UNCERTAINTIES

As explained in note 1, the directors have concluded that the company has adequate resources to continue in existence for the foreseeable future, and for this reason continue to adopt the going concern basis in preparing the accounts.

The directors have reviewed the financial risk management objectives and policies of the company; where there is a significant exposure to financial risks, the group policy laid down by the parent company, Interserve plc, is followed. The company does not as a regular policy enter into hedging instruments, as there is not believed to be any material exposure. It does not enter into any speculative financial instruments.

INFLATION RISK

As all turnover is a recharge of costs incurred the business is relatively insensitive to inflationary risk.

LIQUIDITY RISK

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

CREDIT RISK

As all significant transactions are with other companies within the group, credit risk is low.

FINANCE AND FOREIGN EXCHANGE RISK

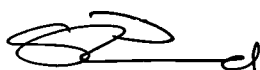
The ultimate parent company manages both interest rate risk and exchange rate risk through the group treasury department using various methods including swaps and hedges and these are disclosed in the group accounts. Group risks are discussed in the group's annual report which does not form part of these financial statements.

GOING CONCERN

The company meets its day to day working capital requirements through an overdraft facility that is provided by its ultimate parent Interserve Plc.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

ON BEHALF OF THE BOARD:



S Pound - Secretary

26 January 2017

Report of the Directors
for the Year Ended 31 December 2015

The directors present their report with the financial statements of the company for the year ended 31 December 2015.

DIVIDENDS

No dividends were paid during the year (2014: £nil).

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2015 to the date of this report.

B Melizan
M Watson
P Clark

Interests in shares and options to purchase shares of those directors who are also directors of Interserve Plc are disclosed in the accounts of Interserve Plc. As at the date of this report and during the year ended 31 December 2015, no indemnities are in force for the directors of this company.

EMPLOYEES

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

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

Report of the Directors
for the Year Ended 31 December 2015

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

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

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

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

AUDITOR

In accordance with s485(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP as auditors was proposed and agreed at the Annual General Meeting held on 10 May 2016.

ON BEHALF OF THE BOARD:



S Pound - Secretary

26 January 2017

Independent Auditor's Report to the Members of
Maclellan Management Services Limited

We have audited the financial statements of Maclellan Management Services Limited for the year ended 31 December 2015 on pages six to twenty three. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.

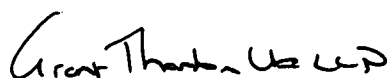
Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

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.



Philip Westerman (Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP
Chartered Accountants and
Statutory Auditor
London
United Kingdom

26 JANUARY 2017

Income Statement
for the Year Ended 31 December 2015

| | Notes | 2015 £'000 | 2014 £'000 |
|---|-------|-----------------|-----------------|
| TURNOVER | 2 | 90,174 | 93,344 |
| Cost of sales | | <u>(90,092)</u> | <u>(93,262)</u> |
| GROSS PROFIT | | 82 | 82 |
| OPERATING PROFIT | | 82 | 82 |
| Interest receivable and similar income | | <u>12</u> | <u>238</u> |
| | | 94 | 105 |
| Interest payable and similar charges | 4 | (401) | - |
| Other finance costs | 12 | <u>(11)</u> | <u>(18)</u> |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 5 | (318) | 87 |
| Tax on (loss)/profit on ordinary activities | 6 | <u>89</u> | <u>(42)</u> |
| (LOSS)/PROFIT FOR THE FINANCIAL YEAR | | <u>(229)</u> | <u>45</u> |

The notes form part of these financial statements

Other Comprehensive Income
for the Year Ended 31 December 2015

| | Notes | 2015 £'000 | 2014 £'000 |
|---|-------|---------------|---------------|
| (LOSS)/PROFIT FOR THE YEAR | | (229) | 45 |
| OTHER COMPREHENSIVE INCOME | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Actuarial gain/(loss) - pension scheme | | 1 | (11) |
| Deferred tax on pension scheme | | - | 2 |
| Income tax relating to items of other comprehensive income | | <u>-</u> | <u>-</u> |
| OTHER COMPREHENSIVE INCOME | | | |
| FOR THE YEAR, NET OF INCOME TAX | | <u>1</u> | <u>(9)</u> |
| TOTAL COMPREHENSIVE INCOME | | | |
| FOR THE YEAR | | <u>(228)</u> | <u>36</u> |

The notes form part of these financial statements

Balance Sheet

31 December 2015

| | Notes | 2015 £'000 | 2014 £'000 |
|--|-------|---------------|---------------|
| CURRENT ASSETS | | | |
| Debtors | 7 | 13,439 | 16,750 |
| CREDITORS | | | |
| Amounts falling due within one year | 8 | (13,362) | (16,374) |
| NET CURRENT ASSETS | | <u>77</u> | <u>376</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 77 | 376 |
| PENSION LIABILITY | 12 | <u>(315)</u> | <u>(386)</u> |
| NET LIABILITIES | | <u>(238)</u> | <u>(10)</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 10 | 20 | 20 |
| Retained earnings | 11 | <u>(258)</u> | <u>(30)</u> |
| SHAREHOLDERS' FUNDS | | <u>(238)</u> | <u>(10)</u> |

The financial statements were approved by the Board of Directors on 26 January 2017 and were signed on its behalf by:



M Watson - Director

Statement of Changes in Equity
for the Year Ended 31 December 2015

| | Called up share capital £'000 | Retained earnings £'000 | Total equity £'000 |
|------------------------------------|--|-------------------------------|--------------------------|
| Balance at 1 January 2014 | 20 | (66) | (46) |
| Changes in equity | | | |
| Total comprehensive income | - | 36 | 36 |
| Balance at 31 December 2014 | 20 | (30) | (10) |
| Changes in equity | | | |
| Total comprehensive income | - | (228) | (228) |
| Balance at 31 December 2015 | 20 | (258) | (238) |

Notes to the Financial Statements
for the Year Ended 31 December 2015

1. ACCOUNTING POLICIES

Basis of preparation

Maclellan Management Services Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operation and its principal activities are set out in the strategic report on page 2.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the company has changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6 to 33 and related appendices.

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 prior year financial statements were re-stated for material adjustments on adoption of FRS 101 in the current year. For more information see pages 20 to 23.

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

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Interserve Plc. Details of the parent whose consolidated financial statements the company is included are shown in note 13 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. Where required, equivalent disclosures are given in the group accounts of Interserve Plc.

Changes in accounting policies

As explained above, the company has adopted FRS 101 for the first time in the current year. As part of this adoption, the changes that this has on the financial statements are shown in note 16.

Turnover

Turnover represents the recharge of payroll and associated costs incurred in the year to companies within the Support Services division of Interserve plc. Turnover is recognised on completion of the contracted services.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2015

1. ACCOUNTING POLICIES - continued

Taxation

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

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

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

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

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

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

Going concern

The company meets its day to day working capital requirements through an overdraft facility that is provided by its ultimate parent Interserve Plc.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2015

1. **ACCOUNTING POLICIES - continued**

Pensions

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

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

For the defined contribution scheme the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2. **TURNOVER**

The activities of the company are regarded by the directors as a single class of business, and are all performed in the United Kingdom.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2015

3. EMPLOYEES AND DIRECTORS

Directors

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

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

| | 2015 | 2014 |
|--|---------------|--------------|
| | £'000 | £'000 |
| Staff costs during the year (including directors): | | |
| Wages and salaries | 12,944 | 7,863 |
| Social security costs | 666 | 321 |
| Other pension costs | 202 | 94 |
| | <u>13,812</u> | <u>8,278</u> |

| | 2015 | 2014 |
|--------------------------------|---------------|---------------|
| | Number | Number |
| Production and site operatives | 1,035 | 659 |
| Administration | 141 | 90 |
| | <u>1,176</u> | <u>749</u> |

4. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2015 | 2014 |
|------------------------|--------------|--------------|
| | £'000 | £'000 |
| Group interest payable | <u>401</u> | <u>-</u> |

The above charge relates to group interest on the bank overdraft in the year. In 2014 group interest was recharged to the companies that utilised the services of Maclellan Management Services Limited.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2015

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

Operating (loss)/profit on ordinary activities before taxation is stated after charging:

| | 2015 | 2014 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Remuneration payable to auditor: | | |
| - Fees payable to the company's auditor for the annual audit of the company's accounts * | - | - |
| - Fees payable to the company's auditor for other services | <u>-</u> | <u>-</u> |

Audit fees of £500 have been borne by Interservefm Limited for 2015 (2014: £500).

6. **TAXATION**

Analysis of tax (income)/expense

| | 2015 | 2014 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Current tax: | | |
| Corporation Tax | (90) | (8) |
| Prior year Tax Adjustment | <u>(13)</u> | <u>-</u> |
| Total current tax | (103) | (8) |
| Deferred tax - current year | <u>14</u> | <u>50</u> |
| Total tax (income)/expense in income statement | <u>(89)</u> | <u>42</u> |

Factors affecting the tax expense

The tax assessed for the year is lower (2014 - higher) than the standard rate of corporation tax in the UK. The difference is explained below:

| | 2015 | 2014 |
|--|--------------|--------------|
| | £'000 | £'000 |
| (Loss)/profit on ordinary activities before income tax | <u>(318)</u> | <u>87</u> |
| (Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%) | (64) | 19 |
| Effects of: | | |
| Other short-term timing differences | (26) | (27) |
| Deferred tax - current year | 14 | 50 |
| Current tax - prior period adjustment | <u>(13)</u> | <u>-</u> |
| Tax (income)/expense | <u>(89)</u> | <u>42</u> |

Notes to the Financial Statements - continued
for the Year Ended 31 December 2015

6. TAXATION - continued

Tax effects relating to effects of other comprehensive income

| | Gross £'000 | 2015 Tax £'000 | Net £'000 |
|---------------------------------|------------------------|-------------------------------|----------------------|
| Actuarial loss - pension scheme | 1 | - | 1 |
| Deferred tax on pension scheme | - | - | - |
| | <u>1</u> | <u>-</u> | <u>1</u> |
| | | | |
| | Gross £'000 | 2014 Tax £'000 | Net £'000 |
| Actuarial loss - pension scheme | (11) | - | (11) |
| Deferred tax on pension scheme | 2 | - | 2 |
| | <u>(9)</u> | <u>-</u> | <u>(9)</u> |

7. DEBTORS

| | 2015 £'000 | 2014 £'000 |
|---|-----------------------|-----------------------|
| Amounts falling due within one year: | | |
| Amounts owed by group undertakings | 13,238 | 15,821 |
| Other debtors | 29 | 41 |
| Corporation tax | 55 | - |
| Deferred tax asset | <u>117</u> | <u>131</u> |
| | <u>13,439</u> | <u>15,993</u> |
| Amounts falling due after more than one year: | | |
| Amounts owed by group undertakings | <u>-</u> | <u>757</u> |
| Aggregate amounts | <u>13,439</u> | <u>16,750</u> |

| | Deferred Tax £'000 |
|--------------------------------|-------------------------------|
| At 1 January 2015 | 131 |
| Profit and loss account charge | <u>(14)</u> |
| At 31 December 2015 | <u>117</u> |

The deferred tax asset represents timing differences in relation to general provisions and deferred tax on the pension scheme. The directors expect that these timing differences will be utilised in future periods.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2015

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2015 £'000 | 2014 £'000 |
|--|---------------|---------------|
| Bank loans and overdrafts (see note 9) | 11,083 | 15,733 |
| Amounts owed to group undertakings | 411 | 386 |
| Corporation tax | - | 47 |
| Social security and other taxes | 1,841 | 208 |
| Other creditors | 27 | - |
| | <u>13,362</u> | <u>16,374</u> |

9. FINANCIAL LIABILITIES - BORROWINGS

| | 2015 £'000 | 2014 £'000 |
|-----------------------------------|---------------|-------------------------|
| Current: | | |
| Bank overdrafts | <u>11,083</u> | <u>15,733</u> |
| Terms and debt repayment schedule | | |
| | | 1 year or less £'000 |
| Bank overdrafts | | <u>11,083</u> |

10. CALLED UP SHARE CAPITAL

| Allotted, issued and fully paid: | | Nominal value: | 2015 | 2014 |
|----------------------------------|----------|-------------------|---------------|---------------|
| Number: | Class: | | £ | £ |
| 20,000 | Ordinary | 1 | <u>20,000</u> | <u>20,000</u> |

11. RESERVES

| | Profit & Loss Account £'000 |
|---------------------------------|-----------------------------------|
| At 1 January 2015 | (30) |
| Loss for year | (229) |
| Actuarial gain - pension scheme | 1 |
| Deferred tax - pension scheme | - |
| At 31 December 2015 | <u>(258)</u> |

Notes to the Financial Statements - continued
for the Year Ended 31 December 2015

12. EMPLOYEE BENEFIT OBLIGATIONS

The MacLellan Group 2000 Retirement Benefits Scheme, set up in July 2000, is a funded final salary (defined benefit) scheme and offers guaranteed pension benefits based upon salary and service. The scheme is offered to employees who are entitled to membership of the principal civil service pension scheme and/or who transfer their employment as part of the market testing exercise. The scheme continues to operate alongside the MacLellan Personal Pension Plan.

Costs are charged to the profit and loss account in the year in which they are incurred and in the current year amounted to £70,000 (2014: £65,000) in respect of the defined benefit scheme. At 31 December 2015 there were outstanding contributions of £nil (2014: £nil).

The assets of the scheme are held independently from the company's finances and are administered by trustee companies. Pension costs are assessed on the advice of an independent qualified actuary following triennial valuations using the projected unit method.

The last full actuarial valuation was carried out as at 1 July 2013. This revealed a funding shortfall of £457,000. The trustees and employer have agreed that the funding valuation shortfall will be addressed by monthly employer contributions of £6,800 from 1 July 2013 to 29 February 2020. A qualified actuary, independent of any participating employers, has adjusted appropriately the data used for the purposes calculating the FRS 101 disclosures for the year ended 31 December 2015.

The Employer's contribution rate during 2015 was 30.3% of the pensionable salary roll from 1 October. The current Schedule of Contributions gives a future Employer contribution rate of 30.3% of pensionable salary roll until 30 September 2016.

The amounts recognised in profit or loss are as follows:

| | Defined benefit pension plans | |
|--|--|--------------|
| | 2015 | 2014 |
| | £'000 | £'000 |
| Current service cost | - | - |
| Net interest from net defined benefit (asset)/liability | 12 | 17 |
| Employer contributions | <u>(82)</u> | <u>(82)</u> |
| | <u>(70)</u> | <u>(65)</u> |

Notes to the Financial Statements - continued
for the Year Ended 31 December 2015

12. **EMPLOYEE BENEFIT OBLIGATIONS - continued**

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

| | Defined benefit pension plans | |
|--|--------------------------------------|--------------|
| | 2015 | 2014 |
| | £'000 | £'000 |
| Opening defined benefit obligation | 662 | 565 |
| Interest cost | 23 | 25 |
| Benefits paid | - | (3) |
| Asset ceiling | 243 | 216 |
| Re-measurements: | | |
| Actuarial gains from changes in demographic assumptions | (6) | (3) |
| Actuarial (gains)/losses from changes in financial assumptions | (22) | 67 |
| Actuarial losses from changes in experience assumptions | 5 | 11 |
| | <u>905</u> | <u>878</u> |

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

| | Defined benefit pension plans | |
|---|--------------------------------------|--------------|
| | 2015 | 2014 |
| | £'000 | £'000 |
| Opening fair value of scheme assets | 492 | 380 |
| Interest income | 19 | 19 |
| Contributions by employer | 82 | 82 |
| Benefits paid | - | (3) |
| Return on plan assets (excluding interest income) | (3) | 14 |
| | <u>590</u> | <u>492</u> |

The amounts recognised in other comprehensive income are as follows:

| | Defined benefit pension plans | |
|--|--------------------------------------|--------------|
| | 2015 | 2014 |
| | £'000 | £'000 |
| Actuarial losses from changes in demographic assumptions | 6 | 3 |
| Actuarial (gains)/losses from changes in financial assumptions | 22 | (67) |
| Actuarial gains from changes in experience assumptions | (5) | (11) |
| Return on plan assets (excluding interest income) | (3) | 14 |
| Change in effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit (liability) / asset | (19) | 50 |
| | <u>1</u> | <u>(11)</u> |

Notes to the Financial Statements - continued
for the Year Ended 31 December 2015

12. EMPLOYEE BENEFIT OBLIGATIONS - continued

The major categories of scheme assets as a percentage of total scheme assets are as follows:

| | Defined benefit pension plans | |
|-----------------|--------------------------------------|-------------|
| | 2015 | 2014 |
| Equities | 59% | 57% |
| Property | 16% | 15% |
| Corporate bonds | 12% | 10% |
| Gilts | 10% | 11% |
| Cash | 3% | 7% |
| | <u>100%</u> | <u>100%</u> |

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

| | 2015 | 2014 |
|-----------------------------------|-------------|-------------|
| Discount rate | 3.70% | 3.50% |
| Retail price inflation | 3.10% | 3.10% |
| Consumer price inflation | 2.20% | 2.20% |
| Increase to pensions in payment | 3.10% | 3.10% |
| Rates of early leaver revaluation | 2.20% | 2.20% |

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the Group's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 60 are:

| Valuation at | 2015 | 2014 |
|-----------------------|-------------|-------------|
| Retiring today: | | |
| Males | 24.7 | 24.9 |
| Females | 26.8 | 27.1 |
| Retiring in 20 years: | | |
| Males | 26.1 | 26.4 |
| Females | 28.3 | 28.6 |

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

| Assumption | Change in assumption | Impact on scheme liabilities |
|-----------------------|---------------------------|------------------------------|
| Discount rate | Increase/decrease by 0.5% | Decrease/increase by 9% |
| Rate of inflation | Increase/decrease by 0.5% | Increase/decrease by 9% |
| Rate of salary growth | Increase/decrease by 0.5% | Increase/decrease by 1% |
| Rate of mortality | Increase by 1 year | Increase by 3% |

13. ULTIMATE PARENT COMPANY

Maclellan Group Limited, a company registered in England and Wales is the company regarded by the directors as the immediate parent company.

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

Notes to the Financial Statements - continued
for the Year Ended 31 December 2015

14. CONTINGENT LIABILITIES

At 31 December 2015 contingent liabilities in respect of guarantees given in the ordinary course of business were £nil (2014: £nil).

15. 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 is a wholly owned subsidiary of Interserve plc.

16. FIRST YEAR ADOPTION

This is the first year that the Company has presented its financial statements under FRS101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The last financial statements under UK GAAP were for the period ended 31 December 2014 and the date of transition to FRS101 was therefore 1st January 2014.

The following disclosures are required in the year of transition.

Reconciliation of Equity

1 January 2014

(Date of Transition to FRS 101)

| | Notes | UK GAAP £'000 | Effect of transition to FRS 101 £'000 | FRS 101 £'000 |
|--|-------|---------------------|--|------------------|
| CURRENT ASSETS | | | | |
| Debtors | a | <u>14,424</u> | <u>88</u> | <u>14,512</u> |
| CREDITORS | | | | |
| Amounts falling due within one year | | <u>(14,120)</u> | <u>-</u> | <u>(14,120)</u> |
| NET CURRENT ASSETS | | <u>304</u> | <u>88</u> | <u>392</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 304 | 88 | 392 |
| PENSION LIABILITY | a | <u>(148)</u> | <u>(292)</u> | <u>(440)</u> |
| NET ASSETS | | <u>156</u> | <u>(204)</u> | <u>(48)</u> |
| CAPITAL AND RESERVES | | | | |
| Called up share capital | | 20 | - | 20 |
| Retained earnings | | <u>136</u> | <u>(204)</u> | <u>(68)</u> |
| SHAREHOLDERS' FUNDS | | <u>156</u> | <u>(204)</u> | <u>(48)</u> |

The notes form part of these financial statements

Reconciliation of Equity - continued
31 December 2014

| | Notes | UK GAAP £'000 | Effect of transition to FRS 101 £'000 | FRS 101 £'000 |
|--|-------|---------------------|--|--------------------|
| CURRENT ASSETS | | | | |
| Debtors | a | <u>16,673</u> | <u>77</u> | <u>16,750</u> |
| CREDITORS | | | | |
| Amounts falling due within one year | | <u>(16,374)</u> | <u>-</u> | <u>(16,374)</u> |
| NET CURRENT ASSETS | | <u>299</u> | <u>77</u> | <u>376</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 299 | 77 | 376 |
| PENSION LIABILITY | a | <u>(136)</u> | <u>(250)</u> | <u>(386)</u> |
| NET ASSETS/(LIABILITIES) | | <u><u>163</u></u> | <u><u>(173)</u></u> | <u><u>(10)</u></u> |
| CAPITAL AND RESERVES | | | | |
| Called up share capital | | 20 | - | 20 |
| Retained earnings | | <u>143</u> | <u>(173)</u> | <u>(30)</u> |
| SHAREHOLDERS' FUNDS | | <u><u>163</u></u> | <u><u>(173)</u></u> | <u><u>(10)</u></u> |

Notes to the reconciliation of equity

a) Debtors and Pension Liability

Under the previously adopted standards of UK GAAP, the Pension liability was reported net of deferred tax. Under FRS101 the Pension liability is reported gross of deferred tax with the related deferred tax asset shown within debtors.

In addition to this, under the Trust Deed and Rule of the Pension schemes, the employer pays the balance of cost for the pension scheme. Therefore, the full amount of the deficit is included in the net defined benefit liability. IFRIC 14 provides further explanation of the interaction between IAS19 and any minimum funding requirement. Under the terms of the schedule of contributions, contributions are due to be paid by the employer after the relevant balance sheet date in respect of an existing deficit. These agreed contribution levels form the asset ceiling/minimum funding requirement addressed in IFRIC 14. This was not the case under previously reported UK GAAP.

The effect of the above has resulted in a movement of £88k (31 Dec 14: £77k) in relation to deferred tax and £292k (31 Dec 14: £250k) relating to the increase in the Pension liability because of the asset ceiling and the associated deferred tax movements on this balance as at 1 January 2014.

Reconciliation of Profit
for the Year Ended 31 December 2014

| | UK GAAP £'000 | Effect of transition to FRS 101 £'000 | FRS 101 £'000 |
|--|------------------------------|--|--------------------------|
| TURNOVER | 93,344 | - | 93,344 |
| Cost of sales | <u>(93,344)</u> | <u>-</u> | <u>(93,344)</u> |
| GROSS PROFIT | <u>-</u> | <u>-</u> | <u>-</u> |
| OPERATING PROFIT | - | - | - |
| Interest receivable and similar income | 105 | - | 105 |
| Other finance costs | <u>(3)</u> | <u>(15)</u> | <u>(18)</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 102 | (15) | 87 |
| Tax on profit on ordinary activities | <u>(29)</u> | <u>-</u> | <u>(29)</u> |
| PROFIT FOR THE FINANCIAL YEAR | <u><u>73</u></u> | <u><u>(15)</u></u> | <u><u>58</u></u> |

Notes to the reconciliation of profit

a) Other finance costs

FRS101 requires that changes in the pension liability be separately identified through both the Income Statement and the Statement of Other Comprehensive Income. Whilst this was similar to the previously adopted UK GAAP standard, allocations between the two statements have changed.

The effect of this transition meant a £23k charge related to the removal of expected return on plan assets, £11k charge in respect of the interest on the asset ceiling and £19k credit relating to interest income on the change in plan assets was taken to the Income Statement as at 31 December 2014.