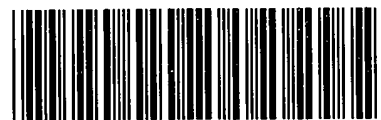


**REGISTERED NUMBER: 02329448 (England and Wales)**

Strategic Report, Report of the Directors and  
Financial Statements for the Year Ended 31 December 2015  
for  
Interserve FS (UK) Limited

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for the Year Ended 31 December 2015

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Interserve FS (UK) Limited

Company Information

for the Year Ended 31 December 2015

**DIRECTORS:**

J Flanagan  
D Lawton  
W Moore

**SECRETARY:**

S Pound

**REGISTERED OFFICE:**

Capital Tower  
91 Waterloo Road  
London  
SE1 8RT

**REGISTERED NUMBER:**

02329448 (England and Wales)

**AUDITOR:**

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

**BANKERS:**

Barclays  
1 Churchill Place  
Canary Wharf  
London  
E14 5PH

Strategic Report  
for the Year Ended 31 December 2015

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

**REVIEW OF BUSINESS**

On 18 March 2014, Interservefm Ltd purchased the company and all of its subsidiary undertakings from Rentokil Initial (1993) Limited. The integration of the company into the Support Services Division of Interserve Plc is virtually complete. The operating profit of the company in the year was £5,035,000 (2014: loss £7,441,000). In addition the result for the year includes a management charge from the holding company Interservefm Ltd of £1,618k (2014: £4,812k). Exceptional costs in addition to the operating result were £1,343k (2014: £25,596k).

**Key Financial 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**

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. Financial risks are discussed above and further discussion on other risks and uncertainties, in the context of the group as a whole is provided in the group's annual report which does not form part of this report.

**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. Group risks are discussed in the group's annual report which does not form part of these financial statements.

**Inflation risk**

A proportion of the company's revenue and costs are linked to inflation, resulting in some of the company being 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 its contracts, cash flows are reasonably predictable and so this is not a major risk area for the company.

**Credit risk**

Appropriate credit management policies are in place to mitigate risk deriving from business with the private sector.

**Finance and foreign exchange risk**

The company is financed by interest free loans and/or interest bearing loans from Group undertakings and a bank overdraft that is subject to a Group set-off facility. In addition the ultimate parent company manages the Group 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.

**GOING CONCERN**

On the basis of their assessment of the company's financial position, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern assumption as a basis of accounting in preparing the annual financial statements.

Strategic Report  
for the Year Ended 31 December 2015

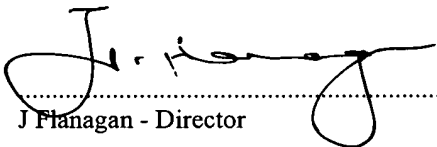
**EMPLOYEES**

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.

**ON BEHALF OF THE BOARD:**

  
.....  
J Flanagan - Director

Date: 6<sup>th</sup> April 2016.....

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.

**PRINCIPAL ACTIVITY**

The principal activities of the company include the provision of contract cleaning and related services to the commercial, industrial, public, retail, food processing, airports and station buildings sector. The company also provides services in the supply of fire systems, extinguishers and ancillary services in offices and other commercial properties; maintenance and repair services related to all types of commercial and industrial buildings; front of house reception services; and the provision of non-clinical support services to organisations involved in healthcare.

**DIVIDENDS**

A dividend of £16,000,000 was proposed and paid during the year (2014: £6,000,000). No further dividends are proposed.

**DIRECTORS**

The directors who have held office during the period from 1 January 2015 to the date of this report are as follows:

S Weatherson - resigned 24 November 2015

O Sawle - resigned 24 March 2015

J Flanagan - appointed 24 February 2015

D Lawton - appointed 21 December 2015

W Moore - appointed 23 November 2015

**DIRECTORS' RESPONSIBILITIES STATEMENT**

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.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

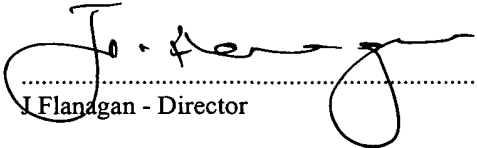
Interserve FS (UK) Limited (Registered number: 02329448)

Report of the Directors  
for the Year Ended 31 December 2015

**AUDITOR**

In accordance with s485(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP as auditors was proposed and agreed at the Annual General Meeting held on 12 May 2015.

**ON BEHALF OF THE BOARD:**

  
.....  
J Flanagan - Director

Date: 6<sup>th</sup> April 2016.....

Independent Auditor's Report to the Members of  
Interserve FS (UK) Limited

We have audited the financial statements of Interserve FS (UK) Limited for the year ended 31 December 2015 on pages seven to twenty six. 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 page five, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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

Date: 6/4/16

Income Statement  
for the Year Ended 31 December 2015

	Notes	2015 £'000	Restated note 1 2014 £'000
<b>TURNOVER</b>	2	367,263	366,682
Cost of sales		<u>(360,508)</u>	<u>(369,252)</u>
<b>GROSS PROFIT/(LOSS)</b>		6,755	(2,570)
Administrative expenses		<u>(1,720)</u>	<u>(4,871)</u>
<b>OPERATING PROFIT/(LOSS)</b>		5,035	(7,441)
Exceptional costs	4	<u>(1,343)</u>	<u>(25,596)</u>
		3,692	(33,037)
Interest receivable and similar income	5	<u>442</u>	<u>-</u>
		4,134	(33,037)
Amounts written off investments	6	<u>-</u>	<u>(6,210)</u>
		4,134	(39,247)
Interest payable and similar charges	7	<u>(223)</u>	<u>(104)</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	8	3,911	(39,351)
Tax on profit/(loss) on ordinary activities	9	<u>(7,550)</u>	<u>7,247</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>		<u><u>(3,639)</u></u>	<u><u>(32,104)</u></u>

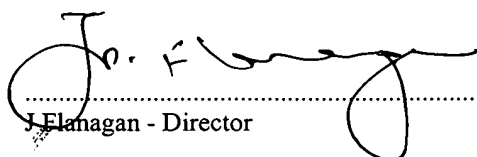
Other Comprehensive Income  
for the Year Ended 31 December 2015

	Notes	2015 £'000	2014 £'000
<b>LOSS FOR THE YEAR</b>		(3,639)	(32,104)
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that may be reclassified subsequently to profit or loss:			
Actuarial (losses)/gains on pension		-	(478)
Movement on deferred tax on pension		-	96
Income tax relating to items of other comprehensive income		-	-
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>		-	(382)
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR</b>		<u>(3,639)</u>	<u>(32,486)</u>

**Balance Sheet**  
**31 December 2015**

	Notes	2015 £'000	2014 £'000
<b>FIXED ASSETS</b>			
Intangible assets	11	27,479	27,972
Tangible assets	12	4,616	5,353
Investments	13	<u>36,113</u>	<u>35,980</u>
		<u>68,208</u>	<u>69,305</u>
<b>CURRENT ASSETS</b>			
Stocks	14	1,312	1,729
Debtors	15	<u>77,870</u>	<u>86,287</u>
		79,182	88,016
<b>CREDITORS</b>			
Amounts falling due within one year	16	<u>(71,245)</u>	<u>(77,750)</u>
<b>NET CURRENT ASSETS</b>		<u>7,937</u>	<u>10,266</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		76,145	79,571
<b>CREDITORS</b>			
Amounts falling due after more than one year	17	(21,784)	-
<b>PROVISIONS FOR LIABILITIES</b>	19	<u>(12,325)</u>	<u>(17,896)</u>
<b>NET ASSETS</b>		<u>42,036</u>	<u>61,675</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	17,293	17,293
Retained earnings	21	<u>24,743</u>	<u>44,382</u>
<b>SHAREHOLDERS' FUNDS</b>	26	<u>42,036</u>	<u>61,675</u>

The financial statements were approved by the Board of Directors on 6<sup>TH</sup> APRIL 2016 and were signed on its behalf by:

  
J. Flanagan - Director

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

	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
<b>Balance at 1 January 2014</b>	17,293	65,433	82,726
<b>Changes in equity</b>			
Dividends	-	(6,000)	(6,000)
Capital contribution	-	17,435	17,435
Total comprehensive income	-	(32,486)	(32,486)
<b>Balance at 31 December 2014</b>	<u>17,293</u>	<u>44,382</u>	<u>61,675</u>
<b>Changes in equity</b>			
Dividends	-	(16,000)	(16,000)
Total comprehensive income	-	(3,639)	(3,639)
<b>Balance at 31 December 2015</b>	<u>17,293</u>	<u>24,743</u>	<u>42,036</u>

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

**1. ACCOUNTING POLICIES**

**Basis of preparation**

Interserve FS (UK) 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 pages 2 to 3.

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 2014 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 23 to 26.

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 23 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.

**Adoption of new and revised standards**

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 27.

**Turnover**

Turnover represents sales to United Kingdom customers, excluding value added tax, and all arises from the principal activities of the company. Turnover is recognised on completion of the contracted services.

Contract accrued income is stated at cost plus attributable profit less provision for any known or anticipated losses and payments on account received or receivable. Payments received on account in excess of the value of work done on each contract are included in creditors.

**Intangible assets**

*Goodwill*

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 'Business Combinations', goodwill is not amortised. Consequently, the company does not amortise goodwill. The company is therefore, invoking a true and fair view override to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. The company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

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

**1. ACCOUNTING POLICIES - continued**

*Computer software*

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;

<b>Asset category</b>	<b>% per annum</b>
Computer software	33.3%

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

**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;

<b>Asset category</b>	<b>% per annum</b>
Freehold buildings	2%
Long leasehold	lease period
Plant and machinery	10% - 50%
Motor vehicles	25%
Computer equipment	20% - 50%

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

**Impairment of tangible and intangible assets**

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

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

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

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

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

**1. ACCOUNTING POLICIES - continued**

**Stocks**

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

**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**

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.

**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 the income statement.

**Leases**

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

The costs of operating leases are charged to the income statement as they accrue.

**Exceptional items**

Exceptional items are those that the company consider to be non-recurring and significant in size or in nature. Exceptional items include: transaction and integration costs relating to the acquisition or restructuring of businesses.

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

**1. ACCOUNTING POLICIES - continued**

**Financial instruments**

Company borrowings are principally denominated in sterling, these borrowings are on floating rates.

All material foreign currency trading exposures are fully hedged through Interserve Plc, who evaluate the total group position and offset any exposure as part of the Group banking facilities.

**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 income statement 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.

**Going concern**

The company's business activities, together with the factors likely to affect its future development and position are set out in the Business review section of the Strategic Report on page 2. On the basis of their assessment of the company's financial position, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern assumption as a basis of accounting in preparing the annual financial statements.

**Treatment of administrative expenses - shared services**

The recharge is an intercompany recharge based on an Interserve Support Services cost allocation. It is allocated to those entities within Support Services who have use of these shared services. The recharge is variable in nature dependent upon the usage of these services

Administrative expenses relate to management recharges and share based payments in line with the current Interserve Support Services divisions' classification. This provides comparability between the group for use of shared services. 2014 comparatives have been restated from £33,879k to £4,871k to reflect the comparable expenses. The balance of expenses of £29,008k in 2014 has been reclassified as cost of sales in line with group policy. This reclassification does not impact operating profit.

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

**1. ACCOUNTING POLICIES - continued**

**Critical accounting judgements and key sources of estimation uncertainty**

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

**Revenue and margin recognition**

The policy for revenue recognition on service contracts is set out in note 1. Judgements are made on an ongoing basis with regard to the recoverability of amounts due, liabilities arising and the requirement for forward loss provisions. Regular forecasts are compiled on the outcomes of these types of contracts, which require assessments and judgements relating to the recovery of pre-contract costs, changes in work scopes, contract programmes and maintenance liabilities.

**Carrying value of trade and other receivables**

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

**2. TURNOVER**

The turnover and profit (2014 - loss) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom	367,263	366,470
Europe	-	212
	<u>367,263</u>	<u>366,682</u>

**3. EMPLOYEES AND DIRECTORS**

**Directors**

During the year Messrs Flanagan, Lawton, Moore, Weatherson and Sawle 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.

**Employees**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Staff costs during the year (excluding directors):</b>		
Wages and salaries	195,826	199,230
Social security costs	14,006	13,889
Other pension costs	2,888	2,923
Share based payment charge	102	59
	<u>212,822</u>	<u>216,101</u>

The average number of employees during the year was 11,503 (2014: 12,908).

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

**4. EXCEPTIONAL COSTS**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Redundancy	-	1,735
Consultancy	-	170
Property exit costs	-	1,714
Future loss provisions on loss making contracts	-	15,106
Integration	1,343	6,534
Other	-	337
	<u>1,343</u>	<u>25,596</u>

The cost of the administrative exceptional items relate to the on-going transformation of the Initial Facilities division, as discussed in the business review on page 2. The costs are considered to be exceptional due to their non-recurring nature and size.

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Group interest income	<u>442</u>	<u>-</u>
	<u>442</u>	<u>-</u>

**6. AMOUNTS WRITTEN OFF INVESTMENTS**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Amounts written off investments	<u>-</u>	<u>6,210</u>

The impairment in 2014 relates to Modus FM Ltd where the cash flows of the remaining contract held by the entity no longer support the entity investment at original cost.

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Group interest payable	<u>223</u>	<u>104</u>
	<u>223</u>	<u>104</u>

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

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

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Profit before taxation is stated after charging/(crediting)		
Depreciation and other amounts written of tangible fixed assets		
Owned	2,592	3,368
Amortisation	951	1,522
Operating lease rentals:		
Other	1,549	718
Plant and machinery	5,306	3,282
Loss on disposal of fixed assets	-	1,440
Exceptional costs (note 4)	1,343	25,596
Audit of these financial statements*	<u>-</u>	<u>-</u>

\*Audit fees of £109,866 for 2015 (2014: £47,618) were borne by Interservefm Limited.

**9. TAXATION**

**Analysis of tax expense/(income)**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Current tax:		
Corporation Tax	-	(3,471)
Prior year Tax Adjustment	<u>6,724</u>	<u>-</u>
Total current tax	<u>6,724</u>	<u>(3,471)</u>
Deferred tax:		
Deferred tax - current year	(610)	(3,795)
Deferred tax - prior period adjustment	<u>1,436</u>	<u>19</u>
Total deferred tax	<u>826</u>	<u>(3,776)</u>
Total tax expense/(income) in income statement	<u><u>7,550</u></u>	<u><u>(7,247)</u></u>

**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:

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Profit/(loss) on ordinary activities before income tax	<u>3,911</u>	<u>(39,351)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% (2014 - 21.50%)	792	(8,460)
Effects of:		
Permanent differences	59	619
Tax losses used in year	(1,461)	-
Depreciation in excess of capital allowances	-	575
Prior period adjustments*	<u>8,160</u>	<u>19</u>
Tax expense/(credit)	<u><u>7,550</u></u>	<u><u>(7,247)</u></u>

\* The corporation tax prior period adjustments are in relation to tax credits recognised on tax losses in the year ended 31 December 2014. These losses were not used as group relief in the final tax return submitted to HMRC and the treatment is therefore reversed in the current year.

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

10. **DIVIDENDS**

	2015 £'000	2014 £'000
Paid dividend of £0.925p (2014: £0.35p) per ordinary share	<u>16,000</u>	<u>6,000</u>

11. **INTANGIBLE FIXED ASSETS**

	Goodwill £'000	Computer software £'000	Totals £'000
<b>COST</b>			
At 1 January 2015	30,477	2,020	32,497
Additions	-	471	471
Disposals	<u>(2)</u>	<u>(31)</u>	<u>(33)</u>
At 31 December 2015	<u>30,475</u>	<u>2,460</u>	<u>32,935</u>
<b>AMORTISATION</b>			
At 1 January 2015	3,553	972	4,525
Amortisation for year	-	951	951
Eliminated on disposal	<u>-</u>	<u>(20)</u>	<u>(20)</u>
At 31 December 2015	<u>3,553</u>	<u>1,903</u>	<u>5,456</u>
<b>NET BOOK VALUE</b>			
At 31 December 2015	<u>26,922</u>	<u>557</u>	<u>27,479</u>
At 31 December 2014	<u>26,924</u>	<u>1,048</u>	<u>27,972</u>

12. **TANGIBLE FIXED ASSETS**

	Freehold property £'000	Plant and machinery £'000	Motor vehicles £'000	Computer equipment £'000	Totals £'000
<b>COST</b>					
At 1 January 2015	422	16,559	19	1,970	18,970
Additions	10	1,596	152	58	1,816
Disposals	<u>-</u>	<u>(457)</u>	<u>-</u>	<u>(149)</u>	<u>(606)</u>
At 31 December 2015	<u>432</u>	<u>17,698</u>	<u>171</u>	<u>1,879</u>	<u>20,180</u>
<b>DEPRECIATION</b>					
At 1 January 2015	12	12,178	4	1,423	13,617
Charge for year	40	2,124	160	268	2,592
Eliminated on disposal	<u>-</u>	<u>(634)</u>	<u>-</u>	<u>(11)</u>	<u>(645)</u>
At 31 December 2015	<u>52</u>	<u>13,668</u>	<u>164</u>	<u>1,680</u>	<u>15,564</u>
<b>NET BOOK VALUE</b>					
At 31 December 2015	<u>380</u>	<u>4,030</u>	<u>7</u>	<u>199</u>	<u>4,616</u>
At 31 December 2014	<u>410</u>	<u>4,381</u>	<u>15</u>	<u>547</u>	<u>5,353</u>

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

**13. INVESTMENTS**

	Shares in group undertakings £'000
<b>COST</b>	
At 1 January 2015	43,611
Additions	<u>133</u>
At 31 December 2015	<u>43,744</u>
<b>PROVISIONS</b>	
At 1 January 2015 and 31 December 2015	<u>7,631</u>
<b>NET BOOK VALUE</b>	
At 31 December 2015	<u>36,113</u>
At 31 December 2014	<u>35,980</u>

The subsidiaries of the company at 31 December 2015 are shown below. All are incorporated in England and Wales.

Name of Company	Nature of business	% ownership
Institu Cleaning Company Limited	Dormant Company	100%
Lancaster Office Cleaning Company Limited	Dormant Company	100%
Knightsbridge Guarding Holdings Limited	Holding Company	100%
KGL Business Services Limited	Dormant Company	100%
Interserve Hospital Services Limited*	Dormant Company	100%
Interserve Building Services (UK) Limited**	Dormant Company	100%
Interserve Integrated Services Limited***	Provision of facilities management services	100%
Interserve Catering Services Limited****	Provision of catering services	100%
Interserve Initial Fire Services Limited*****	Dormant Company	100%
JNC Fire Protection Limited	Provision of fire prevention services	40%
Phoenix Fire Services Limited	Provision of fire prevention services	100%
Modus FM Limited	Provision of building services	100%
Benchmark Carpet Care Limited	Dormant Company	100%
Central Window Cleaning Company Limited	Dormant Company	100%
Hi-tech Cleaning Solutions Limited	Dormant Company	100%
Phonotas Services Limited	Dormant Company	100%
Retail Cleaning Services Limited	Dormant Company	100%
St. James Cleaning and Support Services Limited	Dormant Company	100%

\* Formerly known as Initial Hospital Services Limited

\*\* Formerly known as Initial Building Services Limited

\*\*\* Formerly known as Initial Facilities Management Limited

\*\*\*\* Formerly known as Initial Catering Services Limited

\*\*\*\*\* Formerly known as Rentokil Initial Fire Services Limited

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

14. **STOCKS**

	2015	2014
	£'000	£'000
Stocks	1,312	1,206
Raw materials	-	523
	<u>1,312</u>	<u>1,729</u>

15. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2015	2014
	£'000	£'000
Trade debtors	46,586	45,411
Amounts owed by group undertakings	7,422	5,623
Other debtors	395	-
Corporation tax	-	5,570
Deferred tax asset	3,284	4,110
Prepayments and accrued income	20,183	25,573
	<u>77,870</u>	<u>86,287</u>

Amounts due from group undertakings are unsecured, interest free and repayable on demand.

Deferred Tax

The elements of deferred taxation are as follows:

	2015	2014
	£'000	£'000
Difference between accumulated depreciation and amortisation and capital allowances	678	844
Unrelieved tax losses	2,606	3,260
Other timing differences	-	6
Deferred tax asset	<u>3,284</u>	<u>4,110</u>

The movements in deferred tax are as follows

	2015	2014
	£'000	£'000
Deferred tax asset at beginning of year	4,110	334
(Charged) / Credited to the income statement	<u>(826)</u>	<u>3,776</u>
Deferred tax asset at end of the year	<u>3,284</u>	<u>4,110</u>

16. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2015	2014
	£'000	£'000
Bank loans and overdrafts (see note 17)	9,039	2,111
Trade creditors	4,048	7,202
Amounts owed to group undertakings	11,675	20,613
Corporation tax	1,436	-
Other creditors	-	87
Social security and other taxes	19,942	17,685
Accruals and deferred income	25,105	30,052
	<u>71,245</u>	<u>77,750</u>

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

**17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2015 £'000	2014 £'000
Amounts owed to group undertakings	<u>21,784</u>	<u>-</u>

The intercompany loan exists with Interserve Finance Limited. Interest is charged at 4% and the loan is repayable in February 2019.

**18. FINANCIAL LIABILITIES - BORROWINGS**

	2015 £'000	2014 £'000
Current:		
Bank overdrafts	<u>9,039</u>	<u>2,111</u>

Terms and debt repayment schedule

	1 year or less £'000
Bank overdrafts	<u>9,039</u>

**19. PROVISIONS FOR LIABILITIES**

	Property Provision £'000	Insurance Provision £'000	Other Provision £'000	Total £'000
As at 1 January 2015	1,430	475	15,991	17,896
Utilised during the year	-	(380)	(5,733)	(6,113)
Charge to the income statement for the year	170	-	843	1,013
Released to the income statement for the year	<u>(76)</u>	<u>(95)</u>	<u>(300)</u>	<u>(471)</u>
As at 31 December 2015	<u>1,524</u>	<u>-</u>	<u>10,801</u>	<u>12,325</u>

The property provision represents obligations under onerous leases and dilapidation on exited properties following the review of the property portfolio as part of the restructuring programme. Other provisions relate to a future loss provision, to the end of the contractual period, for a loss making contract and an onerous service contract.

**20. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2015 £'000	2014 £'000
17,293,000	Ordinary shares	£1	<u>17,293</u>	<u>17,293</u>

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

21. RESERVES

	Profit and loss account
	£'000
At 1 January 2015	44,382
Loss for the year	(3,639)
Dividends	<u>(16,000)</u>
As at 31 December 2015	<u>24,743</u>

22. EMPLOYEE BENEFIT OBLIGATIONS

On the 31 December 2011 the trade and assets of Initial Hospital Services Limited were transferred to Interserve FS (UK) Limited, formerly Rentokil Initial Facilities Services (UK) Limited. On the 18 March 2014, Interservefm Ltd purchased Interserve FS (UK) Limited, formerly known as Rentokil Initial Facilities Services (UK) Limited and all of its subsidiary undertakings.

Following a review by Group pensions in 2015, it was identified that the pension liability of this scheme resided with Rentokil Initial plc at acquisition. The pension assets and liabilities of the Initial Hospital Services Limited No1 Pension scheme are therefore, no longer recognised in these accounts. The pension liability balance of £87k as at 31 December 2014 is considered immaterial and the management and directors have decided not to restate the 2014 accounts, but have shown this amount in other creditors for that period.

The Interserve Pension Scheme 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 income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

For the purposes of International Accounting Standard 19 'Employee Benefits', 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. Note 30 to the 2015 annual report and financial statements of the group sets out the details of the International Accounting Standard 19 'Employee Benefits' net pension surplus of £17.2 million (2014: liability of £4.8 million).

23. ULTIMATE PARENT COMPANY

On 18 March 2014, Interservefm Ltd purchased Interserve FS (UK) Limited (formerly known as Rentokil Initial Facilities Services (UK) Limited) and all of its subsidiary undertakings.

The company's immediate parent undertaking is Interservefm Ltd, a company registered in England and Wales.

At year end the company's ultimate parent undertaking and controlling party was Interserve Plc, a company registered in England and Wales. The consolidated financial statements of Interserve plc are available to the public and may be obtained from the Company Secretary, Interserve House, Ruscombe Park, Twyford, Reading, Berkshire RG10 9JU. No other group financial statements include the results of the company.

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

**24. CONTINGENT LIABILITIES**

At 31 December 2015 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 its ultimate parent and fellow subsidiary undertakings. At 31 December 2015 these amounted to £377,248,000 (2014: £348,441,000).

**25. 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.

**26. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2015 £'000	2014 £'000
Loss for the financial year	(3,639)	(32,104)
Dividends	<u>(16,000)</u>	<u>(6,000)</u>
	(19,639)	(38,104)
Other comprehensive income relating to the year (net)	-	(382)
Capital contribution	<u>-</u>	<u>17,435</u>
Net reduction of shareholders' funds	(19,639)	(21,051)
Opening shareholders' funds	<u>61,675</u>	<u>82,726</u>
Closing shareholders' funds	<u>42,036</u>	<u>61,675</u>

The capital contribution in 2014 relates to the cash contribution made to the company to eliminate the net bank overdraft and intercompany position held by Interserve FS (UK) Ltd, with reference to Rentokil Initial PLC and its subsidiaries, prior to its acquisition by Interservefm Ltd from Rentokil Initial PLC.

**27. 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
<b>FIXED ASSETS</b>				
Intangible assets	a	21,892	1,789	23,681
Tangible assets	b	7,893	(1,789)	6,104
Investments		<u>42,190</u>	<u>-</u>	<u>42,190</u>
		<u>71,975</u>	<u>-</u>	<u>71,975</u>
<b>CURRENT ASSETS</b>				
Stocks		2,006	-	2,006
Debtors		<u>84,679</u>	<u>-</u>	<u>84,679</u>
		<u>86,685</u>	<u>-</u>	<u>86,685</u>
<b>CREDITORS</b>				
Amounts falling due within one year		<u>(69,562)</u>	<u>-</u>	<u>(69,562)</u>
<b>NET CURRENT ASSETS</b>		<u>17,123</u>	<u>-</u>	<u>17,123</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		89,098	-	89,098
<b>PROVISIONS FOR LIABILITIES</b>		<u>(6,372)</u>	<u>-</u>	<u>(6,372)</u>
<b>NET ASSETS</b>		<u>82,726</u>	<u>-</u>	<u>82,726</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital		17,293	-	17,293
Retained earnings		<u>65,433</u>	<u>-</u>	<u>65,433</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>82,726</u>	<u>-</u>	<u>82,726</u>

Reconciliation of Equity - continued  
31 December 2014

	Notes	UK GAAP £'000	Effect of transition to FRS 101 £'000	FRS 101 £'000
<b>FIXED ASSETS</b>				
Intangible assets	a	25,767	2,205	27,972
Tangible assets	b	6,401	(1,048)	5,353
Investments		<u>35,980</u>	<u>-</u>	<u>35,980</u>
		<u>68,148</u>	<u>1,157</u>	<u>69,305</u>
<b>CURRENT ASSETS</b>				
Stocks		1,729	-	1,729
Debtors		<u>86,287</u>	<u>-</u>	<u>86,287</u>
		<u>88,016</u>	<u>-</u>	<u>88,016</u>
<b>CREDITORS</b>				
Amounts falling due within one year		<u>(77,750)</u>	<u>-</u>	<u>(77,750)</u>
<b>NET CURRENT ASSETS</b>		<u>10,266</u>	<u>-</u>	<u>10,266</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		78,414	1,157	79,571
<b>PROVISIONS FOR LIABILITIES</b>		<u>(17,896)</u>	<u>-</u>	<u>(17,896)</u>
<b>NET ASSETS</b>		<u>60,518</u>	<u>1,157</u>	<u>61,675</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital		17,293	-	17,293
Retained earnings		<u>43,225</u>	<u>1,157</u>	<u>44,382</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>60,518</u>	<u>1,157</u>	<u>61,675</u>

**Notes to the reconciliation of equity**

a) Intangible assets

FRS101 requires that intangible assets be separately identified on the balance sheet. Under the previously adopted UK GAAP standards, computer software was included as a tangible fixed asset but under IFRS computer software is classified as an intangible asset. At the 1 January 2014 £1,789k computer software was included in the balance sheet as tangible fixed assets. This has been reclassified as an intangible asset. At the 31 December 2014 £1,048k of computer software was included in the balance sheet as a tangible fixed asset, this has been reclassified as an intangible asset. Under FRS101, and IFRS 3 'Business Combinations', goodwill is not amortised. Under the previously adopted UK GAAP standards, goodwill was amortised and charged to the income statement. For the year ended the 31 December 2014 and under UK GAAP, £1,157k had been included in the income statement. This has been credited back to the income statement and debited back to intangible assets.

b) Tangible assets

As per the above note, under the previously adopted UK GAAP standards, and at 1 January 2014, £1,789k of computer software was included as a tangible fixed asset. This has been reclassified as an intangible asset. At the 31 December 2014 £1,048k of computer software was included in the balance sheet as a tangible fixed asset, this has been reclassified as an intangible asset.

Reconciliation of Loss  
for the Year Ended 31 December 2014

	Notes	UK GAAP £'000	Effect of transition to FRS 101 £'000	FRS 101 £'000
<b>TURNOVER</b>		366,682	-	366,682
Cost of sales	a	<u>(370,409)</u>	<u>1,157</u>	<u>(369,252)</u>
<b>GROSS PROFIT/(LOSS)</b>		(3,727)	1,157	(2,570)
Administrative expenses		<u>(4,871)</u>	<u>-</u>	<u>(4,871)</u>
<b>OPERATING LOSS</b>		(8,598)	1,157	(7,441)
Exceptional costs		(25,596)	-	(25,596)
Amounts written off investments		(6,210)	-	(6,210)
Interest payable and similar charges		<u>(104)</u>	<u>-</u>	<u>(104)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(40,508)	1,157	(39,351)
Tax on loss on ordinary activities		<u>7,247</u>	<u>-</u>	<u>7,247</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>		<u>(33,261)</u>	<u>1,157</u>	<u>(32,104)</u>

**Notes to the reconciliation of profit or loss**

a) Cost of sales

Under FRS101, and IFRS 3 'Business Combinations', goodwill is not amortised. Under the previously adopted UK GAAP standards, goodwill was amortised and charged to the income statement. For the year ended the 31 December 2014 and under UK GAAP, £1,157k had been included in the income statement. This has been credited back to the income statement.