REGISTERED NUMBER: 06397426 (England and Wales)

Annual Report and Financial Statements for the Year Ended 31 December 2018

for

ESG Holdings Limited

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ESG Holdings Limited (Registered number: 06397426)

Contents of the Annual Report and Financial Statements
for the Year Ended 31 December 2018

Company Information
for the Year Ended 31 December 2018

DIRECTORS:	S Jones G Scott
SECRETARY:	R Keen – resigned 18 May 2018
REGISTERED OFFICE:	Interserve House Ruscombe Park Reading Berkshire RG10 9JU
REGISTERED NUMBER:	06397426 (England and Wales)
AUDITORS:	Grant Thornton UK LLP Chartered Accountants and Statutory Auditor No 1 Whitehall Riverside LEEDS LS1 4BN United Kingdom

Report of the Directors
for the Year Ended 31 December 2018

The directors present their report with the financial statements of the company for the year ended 31 December 2018.

RESULTS AND DIVIDENDS
The loss for the year after taxation amounted to £1,000 (2017: nil). No dividends will be distributed for the year ended 31 December 2018.

DIRECTORS
The directors who have held office during the year from 1 January 2018 to the date of this report are as follows:

S Jones
C Peel – resigned 30 June 2019
A Mondon – resigned 26 October 2018
L Gowens – appointed 26 October 2018, resigned 23 January 2020
G Scott – appointed 04 November 2019

GOING CONCERN
The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its liabilities as they fall due in the 22 month period to 31 December 2021 ("the going concern review period"). Based on current forecasts and taking into account existing cash and debt facilities of Interserve Group Limited and its subsidiary undertakings (together "the Group"), the Directors expect the Company to have sufficient liquidity to meet its funding requirements during the going concern review period.

The Directors have carefully considered factors which may affect the Company's and the Group's future performance and financial position in the context of their available resources. Specifically:

- The markets in which the Group operates have been challenging over the last few years, although these markets are now showing signs of recovery.
- The satisfactory close out of legacy liabilities and contracts related to the businesses from which the Group has exited (primarily certain construction markets and Energy from Waste).
- Following the Group's deleveraging in March 2019, the Group's lenders became the Group's shareholders. The new shareholders are not natural long-term owners and consequently the Group has commenced a strategic review which may result in the disposal of certain parts of the business. While no decisions have been made, it is possible that within the going concern review period disposals are concluded. The impact and materiality on the remainder of the Group of any such disposals and the requirement to repay debt or retire debt facilities with the majority of any disposal proceeds, cannot be accurately assessed at this stage. However, the directors would, in accordance with their statutory duties, naturally engage with other companies within the Group (including Interserve Group Limited) in order to ensure that the remaining Group continued to have access to sufficient financial resources.
- The going concern review period of 22 months is longer than typically considered by private companies. The longer the period under review the more judgmental the forecast and the higher the uncertainties inherent within it.

The Directors have considered the above uncertainties and have concluded that, whilst individually they are not material, collectively they represent a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

The Directors have concluded that, after due consideration, there is a reasonable expectation that the Company has adequate resources to continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing these financial statements.

These financial statements do not include the adjustments that would result if the Group or the Company were unable to continue as a going concern.

QUALIFYING THIRD PARTY INDEMNITY PROVISION
The company has provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

POST BALANCE SHEET EVENTS
For details of post balance sheet events in relation to the 2019 Deleveraging and the impact of this on the business together with information on new loans facilities put in place in 2019 and 2020 see note 16 to the financial statements on pages 14 and 15.

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, including Financial Reporting Standard 101 'Reduced Disclosure Framework'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

- there is no relevant audit information 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.

SMALL COMPANIES EXEMPTION
In preparing this report, the directors have taken advantage of the small companies' exemptions provided by section 415A of the Companies Act 2006.

AUDITOR
The auditors, Grant Thornton UK LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

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S Jones - Director

Date: 28 February 2020

ESG Holdings Limited (Registered number: 06397426)

Independent Auditors' Report to the Members of ESG Holdings Limited

Opinion
We have audited the financial statements of ESG Holdings Limited (the 'company') for the year ended 31 December 2018, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework(United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties arising from the UK exiting the European Union on our audit
Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with a course of action such as Brexit.

Material uncertainty related to going concern
We draw attention to note 2 to the financial statements which explains that the company's going concern assessment is dependent upon the assessment of the going concern of the Group as a whole. As stated in note 2, a number of uncertainties have been identified across the Group. The Directors have concluded that whilst individually these uncertainties are not material, collectively they represent a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditors' Report to the Members of ESG Holdings Limited

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Directors.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which 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; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the Report of the Directors and from the requirements to prepare a Strategic Report

Responsibilities of directors for the financial statements
As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities .This description forms part of our auditor's report.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

Grant Thornton UK LLP

Victoria McLoughlin BA FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountant
LEEDS
United Kingdom

Date: 28 February 2020

ESG Holdings Limited (Registered number: 06397426)

Statement of Comprehensive Income for the Year Ended 31 December 2018

	Notes	Year Ended 31 December 2018 £	Year Ended 31 December 2017 £
TURNOVER		-	-
Impairment of investment	7	(1,000)	-
OPERATING LOSS AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(1,000)	-
Tax on loss on ordinary activities	6	-	-
LOSS FOR THE FINANCIAL YEAR		(1,000)	-
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(1,000)	-

The notes on pages 9 to 15 form part of these financial statements.

ESG Holdings Limited (Registered number: 06397426)

Statement of Financial Position
31 December 2018

	Notes	31 December 2018 £	31 December 2017 £
FIXED ASSETS			
Investments	7	-	1,000
CURRENT ASSETS			
Debtors amounts falling due within one year	8	9,942,120	9,855,575
Cash in hand		-	32,152
		9,942,120	9,887,727
CREDITORS			
Amounts falling due within one year	9	(839,093)	(784,700)
NET CURRENT ASSETS		9,103,027	9,103,027
TOTAL ASSETS LESS CURRENT LIABILITIES		9,103,027	9,104,027
CAPITAL AND RESERVES			
Called up share capital	10	1,029	1,029
Share premium	11	8,068,264	8,068,264
Retained earnings	11	1,033,734	1,034,734
SHAREHOLDERS' FUNDS		9,103,027	9,104,027

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

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S Jones - Director

The notes on pages 9 to 15 form part of these financial statements.

ESG Holdings Limited (Registered number: 06397426)

Statement of Changes in Equity
for the Year Ended 31 December 2018

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 31 December 2016 & 2017	1,029	1,034,734	8,068,264	9,104,027
Changes in equity				
Total comprehensive income	-	(1,000)	-	(1,000)
Balance at 31 December 2018	1,029	1,033,734	8,068,264	9,103,027

1. COMPANY INFORMATION

The company is a private company limited by shares incorporated in England and Wales, with its registered office at Interserve House, Ruscombe Park, Reading, Berkshire, RG10 9JU.

These financial statements are prepared for the year ended 31 December 2018. The comparative financial statements are for the year ended 31 December 2017.

The company is a holding company for the subsidiaries of the group.

The accounts present information about ESG Holdings Limited as an individual entity and do not consolidate the results of its subsidiaries. It has taken advantage of the exemption available in S400 of the Companies Act 2006 not to prepare group accounts as this information is included in the consolidated financial statements of Interserve PLC as at 31 December 2018 and these financial statements have been filed with Companies House, Cardiff.

2. GOING CONCERN STATEMENT

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its liabilities as they fall due in the 22 month period to 31 December 2021 ("the going concern review period"). Based on current forecasts and taking into account existing cash and debt facilities of Interserve Group Limited and its subsidiary undertakings (together "the Group"), the Directors expect the Company to have sufficient liquidity to meet its funding requirements during the going concern review period.

The Company became a subsidiary of Interserve Group Limited following the deleveraging completed in March 2019. Our assessment of the going concern status of the Company is reliant upon the going concern status of the Group as a whole.

Following the appointment of Administrators to Interserve Plc in March 2019, the Group's Construction business lost a number of contracts previously awarded on a preferred bidder basis. The loss of these volumes coupled with the identification of cost overruns on certain legacy contracts gave rise to a material cash out flow from the Group in 2019.

Since the deleveraging, the Group and Divisional management teams have been strengthened including a new Group Board, Chairman and CFO and a revised reporting structure put in place. Additional funding facilities of £39 million and £125 million were put in place in October 2019 and February 2020 respectively to re-establish a stable financial platform from which to grow the business and to ensure good liquidity over the medium term.

When considering the going concern assumption, the Directors have considered a number of factors, including written support obtained from Interserve Group Limited covering the going concern review period, information provided to them in relation to the Group's trading results, its available resources, the ability of the Group to continue to operate within its financial covenants and the Group's latest forecasts and projections, comprising:

- A Base Case forecast, which has been prepared on a bottom up basis with conservative assumptions regarding new contract wins and settlements on existing contracts; and
- A Weighted Downside Case reflecting reasonably possible adverse variations in performance (including low levels of new work assumed, minimal upside in respect of ongoing settlements and claims (unless the outcome is near certain) and no working capital improvements other than those resulting from a change in business mix).

Whilst the Weighted Downside Case shows lower headroom at certain points, in the forecast period, there are a number of upside opportunities that have not been recognised in either the Base Case or the Weighted Downside Case including better than anticipated settlement and claim outcomes and greater success in securing new work than forecast. In addition, the forecasts include contingencies that may not be required.

The Directors have carefully considered factors which may affect the Group's future performance and financial position in the context of its available resources. Specifically:

- The markets in which the Group operates have been challenging over the last few years, although these markets are now showing signs of recovery.

2. **GOING CONCERN STATEMENT - continued**

- The satisfactory close out of legacy liabilities and contracts related to the businesses that the Group has exited from (primarily certain construction markets and Energy from Waste). There could be potential additional costs relating to the exit from these markets, such as continued contract losses or further liabilities resulting from litigation.

- Following the Group's deleveraging in March 2019, the Group's lenders became the Group's shareholders. The new shareholders are not natural long-term owners and consequently the Group has commenced a strategic review which may result in the disposal of certain parts of the business. While no decisions have been made, it is possible that within the going concern review period disposals are concluded. The impact and materiality on the remainder of the Group of any such disposals and the requirement to repay debt or retire debt facilities with the majority of any disposal proceeds cannot be accurately assessed at this stage. However, the Directors would, in accordance with their statutory duties, naturally engage with other companies within the Group (including Interserve Group Limited) in order to ensure that the remaining Group continued to have access to sufficient financial resources.

- The going concern review period of 22 months is longer than typically considered by private companies. The longer the period under review the more judgmental the forecast and the higher the uncertainties inherent within it.

The Directors have considered the above uncertainties and have concluded that, whilst individually these are not material, collectively they represent a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

The Directors have confirmed that, after due consideration, there is a reasonable expectation that the Company has adequate resources to continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing financial statements.

These financial statements do not include the adjustments that would result if the Group or the Company were unable to continue as a going concern.

3. **ACCOUNTING POLICIES**

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The policies have been applied consistently throughout the year, unless otherwise stated.

The financial statements are presented in Sterling (£), which is the functional currency of the Company.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. There has been no quantitative impact on the Company upon adoption of IFRS 9.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires judgement. There has been no quantitative impact on the Company upon adoption of IFRS 15.

IFRS 16 will replace IAS 17 Leases. It will become effective for accounting periods on or after 1 January 2019. It will require nearly all leases to be recognised on the balance sheet as liabilities, including those currently recognised as operating leases, with corresponding assets being created. The Company has assessed that there will be no quantitative impact on the Company upon adoption of IFRS 16.

3. **ACCOUNTING POLICIES - continued**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10)(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

Taxation
Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Full provision is made for deferred tax assets and liabilities on a non-discounted basis arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Investment in subsidiaries
Investment in subsidiary undertakings are recorded at cost less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of impairment.

Judgements and key sources of estimation uncertainty
The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the statement of financial position date and the amounts reported for income and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates.

3. ACCOUNTING POLICIES - continued

Impairment of investments in subsidiaries
Determining whether the company's investments in subsidiaries have been impaired requires judgement. In making these judgements, net assets of subsidiaries at the balance sheet date and Board-approved budgets for the next three years are taken into consideration. A fair value impairment has been recognised in the year to the value of £1,000, the company has assessed the investments and the likelihood of future profits and concluded that they are of nil value and have therefore been written off in full.

Parent company
The company's ultimate parent company at the year end was Interserve plc, incorporated in England and Wales, which prepares publicly available consolidated financial statements in accordance with IFRS as adopted by the EU. This company is included in the consolidated financial statements of Interserve plc; which is the largest and smallest group into which the results of the company are consolidated for the year ended 31 December 2018. These accounts have been filed with Companies House, Cardiff.

4. EMPLOYEES AND DIRECTORS

There were no staff costs for the year ended 31 December 2018 nor for the year ended 31 December 2017.

There were no directors remuneration for the year ended 31 December 2018 nor for the year ended 31 December 2017.

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The Company has not traded during the year ended 31 December 2018.

6. TAXATION

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2018 nor for the year ended 31 December 2017.

7. INVESTMENTS

	Shares in group undertakings £
COST	
At 1 January 2018	
and 31 December 2018	1,000
PROVISION FOR IMPAIRMENT	
At 1 January 2018	-
Impairment loss	1,000
At 31 December 2018	1,000
NET BOOK VALUE	
At 31 December 2018	-
At 31 December 2017	1,000

A fair value impairment has been recognised in the year to the value of £1,000, the company has assessed the investments and the likelihood of future profits and concluded that they are of nil value and have therefore been written off in full.

7. INVESTMENTS - continued

The company holds the share capital of the following principal companies incorporated in England and Wales (indirectly*):

Company	Principal activity	Share class held	%
ESG Intermediate Holdings Limited	Intermediate holding company	Ordinary	100
ILE Corporate Services Limited *	Administrative and management services	Ordinary	100
Orient Gold Limited *	Non trading subsidiary	Ordinary	100
Broomco (4110) Limited *	Intermediate holding company	Ordinary	100
Triangle Training Holdings Limited *	Intermediate holding company	Ordinary	100
Triangle Training Limited *	Intermediate holding company	Ordinary	100
Interserve Learning & Employment (Services) Limited *	Vocational training	Ordinary	100
Sencia Limited *	Provision of training and employment services	Ordinary	100
ESG (Saudi Arabia) LLC *	Vocational training	Ordinary	100

Note: ESG (Saudi Arabia) LLC is not incorporated in England and Wales. It is incorporated in Saudi Arabia.

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2018 £	31 December 2017 £
Amounts owed by group undertakings	9,942,120	9,855,575
	9,942,120	9,855,575

Amounts owed by group undertakings pertains to interest free advances that are repayable on demand.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2018 £	31 December 2017 £
Bank overdraft	54,393	-
Amounts owed to group undertakings	784,700	784,700
	839,093	784,700

Amounts owed to group undertakings pertains to interest free advances that are repayable on demand.

10. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31 December 2018 £	31 December 2017 £
1,029,216	Ordinary	£0.001	1,029	1,029

11. RESERVES

Retained earnings includes all current and prior year retained profits and losses.

Share premium represents amounts paid in excess of the nominal value for the share capital.

12. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of Interserve Working Futures Limited. Interserve plc is the ultimate parent and controlling party. As at 31 December 2018, Interserve Plc, a company registered in England and Wales was the company regarded by the directors as the ultimate parent company and controlling party and was the smallest and largest group for which group financial statements were prepared. A copy of the financial statements have been filed with Companies House, Cardiff.

As a consequence of Interserve Plc falling into administration on 15 March 2019, prior to the signing of these accounts, Interserve Group Limited was formed and purchased the trading assets and all of the Interserve Plc subsidiary companies as at this date and is now the company regarded by the directors as the ultimate controlling party.

13. RELATED PARTY DISCLOSURES

In preparing these financial statements, the directors have taken advantage of the exemption available under Financial Reporting Standards 101, 'Reduced Disclosure Framework', and have not disclosed transactions with other wholly owned group undertakings.

14. CONTINGENT LIABILITIES

At 31 December 2018 there were contingent liabilities in respect of guarantees given in the ordinary course of the business. The company has given guarantees covering banking facilities made available to the parent and fellow subsidiary undertakings. At 31 December 2018 these amounted to £1,035,556,000 (2017: £32,000).

Further to the post balance sheet events as detailed in note 16, the new facilities reduced the contingent liabilities as at the date of signing of these accounts to £320,029,000.

15. CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2017 or 31 December 2018.

16. POST BALANCE SHEET EVENTS

2019 Deleveraging

On 15 March 2019, an Extraordinary General Meeting of Interserve Plc, the Company's then ultimate parent company, rejected the terms of a plan proposed by Interserve Plc's Board of Directors aimed at providing the Group with sufficient liquidity to service its short-term cash obligations, strengthen the balance sheet and improve the overall financial position of the Group (the "Deleveraging Plan" or "Deleveraging"). As a result, the Board of Directors of Interserve Plc applied for Administrators to be appointed over Interserve Plc, following which the majority of that company's assets and liabilities, including all its subsidiaries, were sold to Interserve Group Limited ("IGL"), a new company wholly owned by the Group's existing lenders, and the mechanics of the Deleveraging Plan were implemented.

Under the terms of the Deleveraging Plan, approximately £485 million of financial liabilities owed to the Group's lenders were exchanged for new shares in IGL. At the same time, the RMD Kwikform Group (the "RMDK Group") was ring-fenced within the newly consolidated Group, and was allocated £350 million of the pre-existing debt (£169 million on a cash interest bearing basis and £181 million on a subordinated non-cash interest bearing basis). The debt allocated to the RMDK Group under the terms of the Deleveraging Plan is non-recourse to the rest of the restructured Group and matures in 2023.

Impact of 2019 Deleveraging

Support Services

The Group's Support Services businesses, which include ESG Holdings Limited, have refocused their portfolio towards strategic markets and capabilities and exited a number of low margin contracts in the High Street Retail

16. POST BALANCE SHEET EVENTS - continued

FM and non-core sectors, improving overall working capital and margins. The division now has greater certainty of revenues and cash flows from predominantly government backed long term contracts.

Construction

Shortly after the Deleveraging, a detailed contract review was undertaken following which a number of material contracts were written down as projects were determined to be more costly to complete than previously estimated. The Group's exposure to these contracts (which were primarily within its discontinued operations in London and the Strategic Projects business) drove a significant cash outflow in 2019 although as the contracts complete any residual cash flow risk is minimised. The business has been re-sized as a result of exiting from these markets and is now focused on its core strengths of framework based public sector and infrastructure work.

Energy from Waste

The Group materially reduced its exposure to the Energy from Waste sector in 2019. As at the date of this report, future cash flows are predominantly linked to two contracts, Derby and Glasgow.

- Notice of termination was received on the Derby contract during August 2019 and Administrators were appointed to the project company (Resource Recovery Solutions (Derbyshire) Limited ('RRS')) shortly afterwards. The Group is co-operating with the Administrators of RRS to maximise the Compensation on Termination payable and eliminate any residual liability to the Group.

- During December 2019, the Group received a £15 million payment on account resulting from a successful claim under its PI insurance policy relating to the Derby contract. The Group anticipates further receipts in 2020, although these will be required to be applied in mandatory prepayment and / or cancellation of the Group's facilities under the terms of the relevant Finance Documents.

- Service Commencement of the Glasgow plant was announced by Viridor on 28 January 2019. A dispute of the final account has been initiated and following an adjudication in April 2019 the matter has now been referred to arbitration. We expect this arbitration to be heard in March 2021, with an award to follow later in the year, and not before June 2021. The Group's view, based on the results of the adjudication decision in April 2019 and legal advice received to date, is that the liability is between £nil and £33.5 million and that the risk of an outcome that results in a cash settlement significantly in excess of this is remote.

New Loan Facilities

Since 31 December 2018, additional loan facilities of £285 million have been committed (which includes the £39 million and £125 million loan facilities that were put in place in October 2019 and February 2020 respectively) to re-establish a stable financial platform from which to grow the business and to ensure good liquidity over the medium term.

The Group's financial covenant package comprises a minimum liquidity covenant and a minimum EBITDA covenant. The Group is forecasting to comply with both sets of covenants in the period to 31 December 2021.