

REGISTERED NUMBER: 08772005 (England and Wales)

Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 December 2019
for
Interserve Finance (Switzerland)
Holdings Limited



Interserve Finance (Switzerland)
Holdings Limited

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for the Year Ended 31 December 2019

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Interserve Finance (Switzerland)
Holdings Limited

Company Information
for the Year Ended 31 December 2019

DIRECTORS:

A K Smythe
C J Edwards

REGISTERED OFFICE:

Capital Tower
91 Waterloo Road
London
SE1 8RT

REGISTERED NUMBER:

08772005 (England and Wales)

AUDITORS:

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

Interserve Finance (Switzerland)
Holdings Limited

Strategic Report
for the Year Ended 31 December 2019

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a Non-Trading company.

REVIEW OF BUSINESS

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

The Company's profit from ordinary activities before taxation was £105,000 (2018: £9,360,000). The results of the Company are set out in the financial statements.

Interserve Finance (Switzerland) Sarl, the company's only subsidiary, was liquidated on 24 October 2019. The final dividends received are shown in the income statement along with the write off of the remaining investment in the subsidiary, both of £7m.

Post Balance Sheet Event

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

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

The Group has undertaken a detailed review of the potential impacts of COVID-19 and continues to monitor future developments closely. At the date of this report the impact of COVID-19 has predominantly been short term reductions in revenues as a result of customer site closures, reductions in services and delays to commissioning of project work, partially offset by additional services requested in the health sector and some central government customers.

The Group has concluded that the coronavirus pandemic is a non-adjusting post balance sheet event in accordance with IAS 10 Events After the Reporting Period, as the significant changes in business activities and economic conditions occurred as a result of events arising after the 31 December 2019 reporting date.

On 28 February 2020, £125 million of new Group loan facilities were put in place to re-establish a stable financial platform from which to grow the business and to ensure sufficient liquidity over the medium term.

On 20 April 2020, the Group's oil and gas EPC business Adyard Abu Dhabi LLC was sold to Altrad for a consideration of £23.6 million.

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

The Group conducted a comprehensive investigation in to the attack and has implemented a range of remediation measures in response to the attack and has put in place a programme of additional measures to further enhance its infrastructure, systems and processes. The investigation has identified no evidence of data exfiltration having taken place.

Interserve Finance (Switzerland)
Holdings Limited

Strategic Report
for the Year Ended 31 December 2019

Post Balance Sheet Event continued

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

On 29 September 2020, the Group's 49% owned civil engineering, building and maintenance services business Khansaheb Civil Engineering LLC was sold for a consideration of £21.2 million.

On 5 October 2020 the Interserve Learning & Employment business was sold to Enact Fund for a consideration of £1 reflecting the fact that the purchaser took on liabilities.

On 30 November 2020 the sale of the majority of the Interserve Support Services business was completed for a combined consideration of £205 million comprising £105 million in cash and a 17.5% shareholding in the Mitie Group. This sale is expected to result in a net loss on disposal but the precise amount at this stage is difficult to quantify accurately until ongoing discussions around final completion value adjustments are agreed with Mitie. As part of this transaction, new Group funding arrangements were put in place with our lenders to provide additional liquidity to the remaining Interserve businesses.

At the end of November 2020, the RMD Kwikform business which had not been affected by the May cyber attack, was subject to a separate but not much more limited attack which caused some disruption to their normal operations. Again the Group's crisis response was swiftly implemented and the impact was contained. RMDK's investigation of the cyber attack is ongoing and it has complied with its notification obligations under applicable data privacy law including to the ICO. It is too early at this stage to say what if any action may be taken by the ICO.

On 1 December 2020 the sale of Interserve Healthcare to City and County Healthcare Group was completed for a consideration of £4.8 million.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company has exposure to a variety of risks which are managed with the purpose of minimising any potential adverse effect on the Company's performance and net assets. The directors have policies for managing each of these risks and they are summarised below.

The principal risk that the Company faces is that the carrying value of its investment and/or loans decline. The directors carry out a review of the Company's operating subsidiary and its loans on an annual basis to determine if an impairment has occurred.

The directors are satisfied that, given the nature of this Company, there are no other principal risks and uncertainties to consider. Group risks are discussed in the Annual Report and Financial Statements of Interserve Group Limited for the year ended 31 December 2019, which does not form part of this Strategic Report.

Interserve Finance (Switzerland)
Holdings Limited

Strategic Report
for the Year Ended 31 December 2019

GOING CONCERN BASIS

As a consequence of Group banking arrangements to which the Company is a party, the Directors assessment of the going concern status of the Company is reliant upon the going concern status of the Group as a whole. Based on information provided to the Directors by the Interserve Group Limited and its subsidiary undertakings (together "the Group") in relation to the Group's trading results, its available cash and debt facilities, its ability to continue to operate within its financial covenants and its latest financial forecasts and projections, the Directors expect the Company to have sufficient liquidity to meet its funding requirements during the going concern review period of 12 months to 28 February 2022.

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:

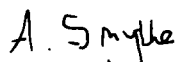
- The risks arising from the current COVID-19 pandemic and its potential implications to the broader global economic climate which could impact our ability to win new work and cause delays in the delivery of our existing projects.
- The satisfactory close out of legacy liabilities in relation to Glasgow EfW within a level covered by existing facilities and the likelihood of a commercial settlement or an arbitration outcome occurring within the going concern period of the next twelve months.
- Following the disposal of the Group's Support Services business in November 2020, the Group continues to review options for further disposals. Although no decisions have been made, it is possible that further disposals could be made within the going concern review period. The impact 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 as part of any decision making process. The Directors consider it implausible that a disposal would be approved that resulted in the going concern basis of preparation no longer being appropriate. However, it is plausible that available liquidity headroom could be reduced as a result of such a disposal.

While the Group's Downside Case forecast which reflects reasonably possible adverse variations in performance arising from lower new order intake due to less work available and increased competition, further COVID-19 related delays to delivering and completing existing contracts, increases in working capitalisation and delays in achieving central cost savings, indicates sufficient liquidity and compliance with covenants, the Directors have identified, via their reverse stress testing, various plausible but severe combinations of adverse events which, in combination, could lead to a shortfall in liquidity within the assessment period. As such, the Directors have concluded that, although the uncertainties identified are not individually material, in combination under a severe and plausible set of scenarios 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.

ON BEHALF OF THE BOARD:



A K Smythe - Director

Interserve Finance (Switzerland)
Holdings Limited

Report of the Directors
for the Year Ended 31 December 2019

The directors present their report with the financial statements of the Company for the year ended 31 December 2019.

Certain requirements of the Strategic Report, including the principal risks and uncertainties of the company and the post balance sheet events are not included within the report of the Directors as they are shown in the Strategic report on pages 2 to 4.

DIVIDENDS

An interim dividend of £Nil (2018: £Nil) was paid during the year under review. The directors do not recommend payment of a final dividend.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

A K Smythe has held office during the whole of the period from 1 January 2019 to the date of this report.

Other changes in directors holding office are as follows:

C J Edwards was appointed as a director after 31 December 2019 but prior to the date of this report.

A J McDonald ceased to be a director after 31 December 2019 but prior to the date of this report.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including FRS 101 'Reduced Disclosure Framework'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

Interserve Finance (Switzerland)
Holdings Limited

Report of the Directors
for the Year Ended 31 December 2019

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

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

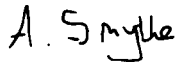
To the best of our knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 'Reduced Disclosure framework', give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

AUDITORS

The auditors, Grant Thornton UK LLP, have been re-appointed as the Company's auditors and will continue in office.

ON BEHALF OF THE BOARD:



A K Smythe - Director

26 February 2021

Independent Auditors' Report to the Members of
Interserve Finance (Switzerland)
Holdings Limited

Opinion

We have audited the financial statements of Interserve Finance (Switzerland) Holdings Limited (the 'Company') for the year ended 31 December 2019, which comprise the statement of comprehensive income, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the '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 macro-economic uncertainties 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 macro-economic uncertainties such as Covid-19 and 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.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their 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 these particular events.

Material uncertainty related to going concern

We draw attention to note 2 in 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, in combination under a severe and plausible set of scenarios they represent a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent Auditors' Report to the Members of
Interserve Finance (Switzerland)
Holdings Limited

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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.

Auditors' responsibilities for the audit of the 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/auditors-responsibilities. This description forms part of our auditor's report.

Independent Auditors' Report to the Members of
Interserve Finance (Switzerland)
Holdings Limited

Use of our report

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



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

26 February 2021

Interserve Finance (Switzerland)
Holdings Limited

Statement of Comprehensive Income
for the Year Ended 31 December 2019

	Notes	2019 £'000	2018 £'000
TURNOVER		-	-
Administrative expenses		<u>104</u>	<u>3,151</u>
		104	3,151
Gain/loss on revaluation of investments		<u>-</u>	<u>(51,468)</u>
OPERATING PROFIT BEFORE EXCEPTIONALS		104	(48,317)
Loss on Liquidation of Subsidiary	4	<u>(6,933)</u>	<u>-</u>
		(6,829)	(48,317)
Income from Shares in Group undertakings		6,934	53,421
Interest receivable and similar income		<u>-</u>	<u>4,256</u>
OPERATING PROFIT	5	105	9,360
Tax on profit	6	<u>62</u>	<u>(1,240)</u>
PROFIT FOR THE FINANCIAL YEAR		167	8,120
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>167</u>	<u>8,120</u>

The notes form part of these financial statements

Interserve Finance (Switzerland)
Holdings Limited (Registered number: 08772005)

Balance Sheet
31 December 2019

	Notes	2019 £'000	2018 £'000
FIXED ASSETS			
Investments	7	-	6,933
CURRENT ASSETS			
Debtors	8	213,738	208,256
Cash in hand		<u>11</u>	<u>39</u>
		213,749	208,295
CREDITORS			
Amounts falling due within one year	9	<u>(189)</u>	<u>(1,750)</u>
NET CURRENT ASSETS		<u>213,560</u>	<u>206,545</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		213,560	213,478
CREDITORS			
Amounts falling due after more than one year	10	<u>(775)</u>	<u>(860)</u>
NET ASSETS		<u>212,785</u>	<u>212,618</u>
CAPITAL AND RESERVES			
Called up share capital	11	50	50
Share premium	12	133,913	133,913
Retained earnings	12	<u>78,822</u>	<u>78,655</u>
SHAREHOLDERS' FUNDS		<u>212,785</u>	<u>212,618</u>

The financial statements were approved by the Board of Directors and authorised for issue on 26 February 2021 and were signed on its behalf by:

A. Smythe

A K Smythe - Director

The notes form part of these financial statements

Interserve Finance (Switzerland)
Holdings Limited

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

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
Balance at 1 January 2018	50	70,535	133,913	204,498
Changes in equity				
Total comprehensive income	-	8,120	-	8,120
Balance at 31 December 2018	50	78,655	133,913	212,618
Changes in equity				
Total comprehensive income	-	167	-	167
Balance at 31 December 2019	50	78,822	133,913	212,785

The notes form part of these financial statements

Interserve Finance (Switzerland)
Holdings Limited

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

1. STATUTORY INFORMATION

Interserve Finance (Switzerland) Holdings Limited is a private company, limited by shares, registered in England and Wales and bound by the Companies Act 2006. The Company's registered number and registered office address can be found on the Company Information page. The Group accounts can be obtained from Capital Tower, 91 Waterloo Road, London, England, SE1 8RT.

Interserve Finance (Switzerland)
Holdings Limited

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

2. ACCOUNTING POLICIES

Basis of preparation

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

The Company's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The Company's financial statements are included in the Interserve Group Limited consolidated financial statements for the year ended 31 December 2019. The Company is exempt, under Section 400 of the Companies Act 2006, from the preparation of consolidated financial statements because it is included in the Annual Report and Financial Statements of the Group. These financial statements are separate financial statements.

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 12 month period to 28 February 2022 ("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.

As a consequence of group banking arrangements to which this company is a party, 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. The Group has since sold its FM services business to Mitie during November 2020 for £105 million and a 17.5% equity share in Mitie's business. The majority of these proceeds were used to repay existing borrowing facilities with an appropriate balance retained for working capital purposes. Following the disposal of the FM services business the Group's financial covenants have been reset with appropriate headroom to reflect the size of the remaining businesses.

When considering the appropriateness of the going concern basis of preparation, the Directors have reviewed a number of factors, including 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;
- A Downside Case reflecting reasonably possible adverse variations in performance including:
 - lower new orders reflecting less work available and increased competition;
 - the impact of further COVID 19 related delays in delivering and completing existing contracts, and;
 - increases in working capital utilisation and delays in achieving central cost savings.

Interserve Finance (Switzerland)
Holdings Limited

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

- A Reverse Stress Test that looks to identify scenarios that would give rise to a liquidity shortfall such that the Group could no longer be considered a going concern and then assess the likelihood of each of these severe but plausible downsides arising. These stress tests included increased market competition in UK Construction, additional costs of settling the Glasgow Energy for Waste dispute and delays in the delivery of central cost savings.

Although the Group's Downside Case shows lower headroom at certain points in the forecast period, it demonstrates sufficient liquidity to absorb these risks while complying with the Group's financial covenants. In addition, there are a number of upside opportunities that have not been recognised in either the Base Case or the Downside Case including better than anticipated settlement and claim outcomes and greater success in securing new work than forecast. Further, the forecasts include contingencies that may not be required. The Directors therefore consider that the Downside Case, in isolation, represents a severe and plausible scenario where nonetheless no covenant breach or exhaustion of available liquidity occurs.

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 risks arising from the current COVID-19 pandemic and its potential implications to the broader global economic climate which could impact our ability to win new work and cause delays in the delivery of our existing projects.

- The satisfactory close out of legacy liabilities in relation to Glasgow EfW within a level covered by existing facilities and the likelihood of a commercial settlement or an arbitration outcome occurring within the going concern period of the next twelve months.

- Following the disposal of the Group's Support Services business in November 2020, the Group continues to review options for further disposals. Although no decisions have been made, it is possible that further disposals could be made within the going concern review period. The impact 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 as part of any decision making process. The Directors consider it implausible that a disposal would be approved that resulted in the going concern basis of preparation no longer being appropriate. However, it is plausible that available liquidity headroom could be reduced as a result of such a disposal.

While the Downside Case indicates sufficient liquidity and compliance with covenants, the Directors have identified, via their reverse stress testing, various plausible but severe combinations of adverse events which, in combination, could lead to a shortfall in liquidity within the assessment period. As such, the Directors have concluded that, although the uncertainties identified are not individually material, in combination under a severe and plausible set of scenarios 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.

Interserve Finance (Switzerland)
Holdings Limited

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

2. 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 IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirements of paragraph 58 of IFRS 16;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

Taxation

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

Current tax

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

Interserve Finance (Switzerland)
Holdings Limited

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

2. ACCOUNTING POLICIES - continued

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are recognised in the Statement of Comprehensive Income.

Investments in subsidiaries

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

Dividend income

Dividend income from investments is recognised when received.

Financial Instruments

Impairment of financial assets

IFRS 9 impairment requires the use of more forward looking information to evaluate expected credit losses. The new standards expected credit loss model (ECL) replaces IAS 39's incurred loss model. Instruments within the scope of IFRS 9 included loans measured at amortised cost, trade receivables and contract assets recognised and measured under IFRS 15.

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

Debtors

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

Creditors

Creditors are initially measured at fair value and subsequently measured at amortised cost.

Equity instruments

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Provisions

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

Interserve Finance (Switzerland)
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Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. **ACCOUNTING POLICIES - continued**

Finance instruments (continued)

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revisions affect only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no critical judgements, apart from those involving estimates (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of investments in subsidiaries

Determining whether the Company's investments in subsidiaries have been impaired requires judgement. In making these judgements, net assets of subsidiaries at the balance sheet date and Board-approved budgets for the next three years are taken into consideration. The carrying amount of the investments in subsidiaries and associates at the balance sheet date was £nil (2018: £6.9m) with £6.9m (2018: £51.5m) of impairment losses recognised in 2019.

3. **EMPLOYEES AND DIRECTORS**

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

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

During the year A Smythe and A McDonald were remunerated for their services to the Group by Interserve Plc, and subsequently as of 15 March 2019, Interserve Group Limited. Their remuneration is disclosed in the accounts of that company. It is not considered practicable to allocate their remuneration between the companies of which they are a director.

4. **NON UNDERLYING ITEMS**

	2019	2018
	£'000	£'000
Loss on Liquidation of Subsidiary	<u>(6,933)</u>	<u>-</u>

This cost is in relation to liquidation of the company's only subsidiary Interserve Finance (Switzerland) Sarl.

Interserve Finance (Switzerland)
Holdings Limited

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

5. **PROFIT BEFORE TAXATION**

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

6. **TAXATION**

Analysis of tax (income)/expense

	2019 £'000	2018 £'000
Current tax:		
Corporation tax	(62)	1,199
Prior year tax adjustment	<u>-</u>	<u>41</u>
 Total tax (income)/expense in statement of comprehensive income	 <u>(62)</u>	 <u>1,240</u>

Factors affecting the tax expense

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

	2019 £'000	2018 £'000
Profit before income tax	<u>105</u>	<u>9,360</u>
 Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	 20	 1,778
Effects of:		
Prior year adjustment	(62)	(41)
Dividends received	(1,317)	(10,150)
Tax payable on controlled foreign company income	-	62
Impairment of investment	1,317	9,780
Provisions for Intercompany Balances	-	(189)
Right off of Intercompany Balances	<u>(20)</u>	<u>-</u>
 Tax (income)/expense	 <u>(62)</u>	 <u>1,240</u>

The Company has been advised that Group tax relief is available and that payment will be made at the standard rate of 19% (2018: 19%) of the amount of tax losses surrendered.

Interserve Finance (Switzerland)
Holdings Limited

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

7. INVESTMENTS

	Shares in group undertakings £'000
COST	
At 1 January 2019 and 31 December 2019	<u>133,963</u>
PROVISIONS	
At 1 January 2019	127,030
Impairments	<u>6,933</u>
At 31 December 2019	<u>133,963</u>
NET BOOK VALUE	
At 31 December 2019	<u>-</u>
At 31 December 2018	<u>6,933</u>

Interserve Finance (Switzerland)
Holdings Limited

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

7. INVESTMENTS - continued

As Interserve Finance (Switzerland) Sarl the company's only subsidiary, was liquidated on 24 October 2019 the final dividends received are shown along with the write off of its remaining investment in subsidiary both £7m.

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

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

Impairment of Investments

The company tests annually for impairment against investments held.

The recoverable amounts of the Cash Generating Units (CGU's) are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to direct costs during the period. Management estimates discounts rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in direct costs are based on past practices and expectations of future changes in the market.

The Company has conducted a sensitivity analysis on the impairment test of each CGU.

The Company prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next three years and extrapolates cash flows for the following three years based on an estimated growth rate of 2% (2017: 2%). This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows is 11.8% (2017: 10.3%). If the discount rate were decreased by one percentage point to 10.8% then the impairment would not change. If the discount rate were increased by one percentage point to 12.8% then the impairment would not change.

8. DEBTORS

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Other debtors	1	6
Intra Group trade balances	<u>3,200</u>	<u>8,714</u>
	<u>3,201</u>	<u>8,720</u>

Interserve Finance (Switzerland)
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Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

8. **DEBTORS - continued**

	2019	2018
	£'000	£'000
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>210,537</u>	<u>199,536</u>
Aggregate amounts	<u>213,738</u>	<u>208,256</u>

The intra Group trade balances due within one year incur no interest and are repayable on demand.

The intercompany loan facility expires within five years of the balance sheet date. During 2019 interest was charged at 4% on intercompany loans due in more than one year.

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

	2019	2018
	£'000	£'000
Corporation tax	189	458
Other creditors	-	110
Intra Group trade balances	<u>-</u>	<u>1,182</u>
	<u>189</u>	<u>1,750</u>

The intra Group trade balances incur no interest and are payable on demand.

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

	2019	2018
	£'000	£'000
Amounts owed to group undertakings	<u>775</u>	<u>860</u>

The intercompany loan facility expires within five years of the balance sheet date. During 2019 no interest was charged on intercompany loans due in more than one year.

11. **CALLED UP SHARE CAPITAL**

Allotted and issued:		Nominal value:	2019	2018
Number:	Class:		£	£
50,000	Ordinary	£1	<u>50,000</u>	<u>50,000</u>

The authorised ordinary share capital is unlimited. Each ordinary share entitles the holder to 1 vote per share and all shares have the same rights.

Interserve Finance (Switzerland)
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Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

12. **RESERVES**

	Retained earnings £'000	Share premium £'000	Totals £'000
At 1 January 2019	78,655	133,913	212,568
Profit for the year	<u>167</u>	<u>-</u>	<u>167</u>
At 31 December 2019	<u><u>78,822</u></u>	<u><u>133,913</u></u>	<u><u>212,735</u></u>

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

13. **CONTINGENT LIABILITIES**

In the ordinary course of business the Company has given guarantees covering bank overdrafts to its fellow subsidiary undertakings. At 31 December 2019 these amounted to £nil (2018: £1,035,544).

Due to the nature of the guarantees it would be difficult to reliably measure the Company's potential obligation and as the directors consider it unlikely that there will be requirement to make a financial settlement as a result of these guarantees no liability has been recognised in the financial statements.

14. **RELATED PARTY DISCLOSURES**

The Company has taken advantage of the exemption contained in paragraph 8(k) of FRS 101 "Reduced Disclosure Framework" not to report transactions with other wholly-owned Group companies.

Interserve Finance (Switzerland)
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Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

15. POST BALANCE SHEET EVENTS

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

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

The Group has undertaken a detailed review of the potential impacts of COVID-19 and continues to monitor future developments closely. At the date of this report the impact of COVID-19 has predominantly been short term reductions in revenues as a result of customer site closures, reductions in services and delays to commissioning of project work, partially offset by additional services requested in the health sector and some central government customers.

The Group has concluded that the coronavirus pandemic is a non-adjusting post balance sheet event in accordance with IAS 10 Events After the Reporting Period, as the significant changes in business activities and economic conditions occurred as a result of events arising after the 31 December 2019 reporting date.

On 28 February 2020, £125 million of new Group loan facilities were put in place to re-establish a stable financial platform from which to grow the business and to ensure sufficient liquidity over the medium term.

On 20 April 2020, the Group's oil and gas EPC business Adyard Abu Dhabi LLC was sold to Altrad for a consideration of £23.6 million.

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

The Group conducted a comprehensive investigation in to the attack and has implemented a range of remediation measures in response to the attack and has put in place a programme of additional measures to further enhance its infrastructure, systems and processes. The investigation has identified no evidence of data exfiltration having taken place.

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

On 29 September 2020, the Group's 49% owned civil engineering, building and maintenance services business Khansaheb Civil Engineering LLC was sold for a consideration of £21.2 million.

On 5 October 2020 the Interserve Learning & Employment business was sold to Enact Fund for a consideration of £1 reflecting the fact that the purchaser took on liabilities.

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Notes to the Financial Statements - continued
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On 30 November 2020 the sale of the majority of the Interserve Support Services business was completed for a combined consideration of £205 million comprising £105 million in cash and a 17.5% shareholding in the Mitie Group. This sale is expected to result in a net loss on disposal but the precise amount at this stage is difficult to quantify accurately until ongoing discussions around final completion value adjustments are agreed with Mitie. As part of this transaction, new Group funding arrangements were put in place with our lenders to provide additional liquidity to the remaining Interserve businesses.

At the end of November 2020, the RMD Kwikform business which had not been affected by the May cyber attack, was subject to a separate but not much more limited attack which caused some disruption to their normal operations. Again the Group's crisis response was swiftly implemented and the impact was contained. RMDK's investigation of the cyber attack is ongoing and it has complied with its notification obligations under applicable data privacy law including to the ICO. It is too early at this stage to say what if any action may be taken by the ICO.

On 1 December 2020 the sale of Interserve Healthcare to City and County Healthcare Group was completed for a consideration of £4.8 million.

16. ULTIMATE CONTROLLING PARTY

The Company's immediate parent company is Interserve Finance Limited, a company registered in England and Wales.

As at 31 December 2019, Interserve Group Limited, a company registered in England and Wales was the company regarded by the directors as the ultimate parent company and controlling party and was the smallest and largest group for which group financial statements were prepared. A copy of the financial statements of Interserve Group Limited can be obtained via the Interserve website at www.interserve.com.