

**Company Registration Number 3688689**

**MACLELLAN INTERNATIONAL LIMITED**

**Report and Financial Statements**

**31 December 2008**

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# **MACLELLAN INTERNATIONAL LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2008**

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## **MACLELLAN INTERNATIONAL LIMITED**

### **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

### **PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The company's principal activity is the business of providing facilities management services to the commercial, retail and industrial market sectors. Offerings include rolling office cleaning contracts, retail store cleaning, shopping centre management and out of town retail park management, PFI buildings maintenance and various facilities management services to traditional automotive and industrial clients.

### **RESULTS AND DIVIDENDS**

The results for the year ended 31 December 2008 are set out in the financial statements on pages 6 to 16. Turnover decreased by 16% from £164m to £138m largely due to in 2008 as part of the continued integration of MacLellan into the Interserve group, new contracts are being tendered as Interserve (Facilities Management) Limited, a fellow subsidiary company.

The year shows an operating profit of £3.6m (2007: £13.1m) reasons for the decrease are as follows:

- A reduction in turnover as noted above.
- In 2007 MacLellan International had other operating income from a management charge to fellow subsidiary companies amounting to £3.1m; no such management charge was made in 2008.
- In 2008 a management charge was received from a fellow subsidiary company for £1.2 million (2007: £nil).
- In 2007 after the acquisition by the Interserve group, ongoing accounting estimates regarding the profitability of key contracts were reviewed. As a result, the estimates for a number of contract liabilities and exposures were revised causing a release to the profit and loss account of £0.9m.

£0.6m of dividends were received during the year from a subsidiary company (2007: £6.0m).

£3.2m of dividends were paid during the year (2007: £6.0m).

Financial performance is assessed through the key measures of turnover and operating profit, as mentioned above and reported in the profit and loss statement on page 6.

There were no other major changes in the business or development of new markets. No significant post balance sheet events have been noted.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

Due to the current economic conditions there are inherent and future uncertainties that may impact the business. As explained in note 1, the directors have a reasonable expectation that the company has adequate resources to continue in existence for the foreseeable future, and for this reason continue to adopt the going concern basis in preparing the accounts.

Loss of key customers is a key risk to the business. The company manages this risk by developing and maintaining strong relationships with these customers.

## **MACLELLAN INTERNATIONAL LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **FINANCIAL RISK MANAGEMENT**

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

Appropriate trade terms are negotiated with suppliers and customers. Management reviews these terms along with the relationships with suppliers and customers and manages any exposure on normal trade terms. The company prepares regular forecasts of cash flow and liquidity and any requirement for additional funding is managed as part of the overall Interserve plc financing arrangements.

##### **Inflation risk**

A proportion of the company's revenue and most of its costs are linked to inflation, resulting in the projects being relatively insensitive to inflationary risk.

##### **Liquidity risk**

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

##### **Credit risk**

The company receives much of its revenue from government departments and large commercial and retail organisations and therefore is not exposed to significant credit risk. Appropriate credit management policies are in place to mitigate risk deriving from business with the private sector.

##### **Finance and Foreign Exchange risk**

The ultimate parent company manages both interest rate risk and exchange rate risk through the group treasury department using various methods including swaps and hedges and these are disclosed in the group accounts.

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

#### **DIRECTORS**

The directors who served during the year were as follows:

S T Ashdown  
R I Cattell (resigned 31 December 2008)  
D M Clitheroe  
M Graveney (appointed 24 July 2008)  
B A Melizan

#### **EMPLOYEES**

The company has no employees. The services of operatives and administrative personnel are provided by a fellow subsidiary company.

## **MACLELLAN INTERNATIONAL LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **PAYMENT TERMS**

It is the company's policy to make payments to suppliers in accordance with agreed terms and conditions. The company's year end trade creditors correspond to 71 days (2007: 64 days) of credit purchases.

#### **AUDITORS**

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

On 1 December 2008 Deloitte & Touche LLP changed its name to Deloitte LLP. A resolution to reappoint Deloitte LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



**S Pound**  
Secretary

## **MACLELLAN INTERNATIONAL LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MACLELLAN INTERNATIONAL LIMITED**

We have audited the financial statements of MacLellan International Limited for the year ended 31 December 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



**DELOITTE LLP**

Chartered Accountants and Registered Auditors  
London, United Kingdom

*20 May 2009*

**MACLELLAN INTERNATIONAL LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 2008**

	<b>Note</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
<b>TURNOVER</b>	<b>2</b>	<b>137,669</b>	<b>164,476</b>
Cost of sales		(130,938)	(153,932)
<b>GROSS PROFIT</b>		<b>6,731</b>	<b>10,544</b>
Administrative expenses		(3,102)	(573)
Other operating income		-	3,083
<b>OPERATING PROFIT</b>	<b>3</b>	<b>3,629</b>	<b>13,054</b>
Interest payable and similar charges	<b>5</b>	(18)	(68)
Income from fixed asset investments		583	-
Interest receivable and similar income		19	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>4,213</b>	<b>12,986</b>
Tax on profit on ordinary activities	<b>6</b>	(1,526)	(4,172)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>2,687</b>	<b>8,814</b>

All results derive from continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 31 December**

	<b>2008 £'000</b>	<b>2007 £'000</b>
Profit on ordinary activities after taxation	2,687	8,814
Gain on translation of foreign currency operations	310	81
<b>Total recognised gains and losses for the year</b>	<b>2,997</b>	<b>8,895</b>



**MACLELLAN INTERNATIONAL LIMITED**

**BALANCE SHEET**  
At 31 December 2008

	Note	2008 £'000	2007 £'000
<b>FIXED ASSETS</b>			
Intangible assets	7	19,421	20,836
Tangible assets	8	484	1,475
Investments	9	-	-
		<u>19,905</u>	<u>22,311</u>
<b>CURRENT ASSETS</b>			
Stocks	10	178	170
Debtors	11	64,222	70,757
Cash at bank and in hand		12,908	12,926
		<u>77,308</u>	<u>83,853</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	12	<u>(95,808)</u>	<u>(104,564)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(18,500)</u>	<u>(20,711)</u>
<b>NET ASSETS</b>		<u>1,405</u>	<u>1,600</u>
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	14	600	600
Profit and loss account	15	805	1,000
<b>SHAREHOLDERS' FUNDS</b>	16	<u>1,405</u>	<u>1,600</u>

These financial statements were approved by the Board of Directors on 20th May 2009.

Signed on behalf of the Board of Directors



**S T Ashdown**  
Director

## **MACLELLAN INTERNATIONAL LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2008**

#### **1. ACCOUNTING POLICIES**

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted by the directors are described below.

##### **Going concern**

Due to the current economic conditions there are inherent future uncertainties that may impact the business. As a result of this the directors have made enquiries and have a reasonable expectation that the company has adequate resources, including support from Interserve plc group, to continue in existence for the foreseeable future. For this reason we continue to adopt the going concern basis in preparing the accounts.

##### **Consolidation**

The company has taken advantage of the exemption available under Section 228 of Companies Act 1985 from the obligation to prepare group accounts. Group accounts are prepared by the company's ultimate parent company, Interserve plc. Accordingly these accounts present information about the company as an individual entity and not as a group.

##### **Turnover**

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

##### **Intangible fixed assets**

Goodwill arising on acquisitions completed subsequent to 27 September 1998 is capitalised and amortised over 20 years being the period over which the directors estimate that the value of the businesses acquired are expected to exceed the value of the underlying assets.

##### **Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided to write off the cost less the estimated residual value (based on prices prevailing at the date of acquisition) of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Short leasehold land and buildings	over the lease period
Plant, equipment and office furniture	3 to 5 years
Motor vehicles	3 years

##### **Fixed asset investments**

Investments are held at cost unless, in the opinion of the directors, any diminution in value is believed to be permanent.

##### **Stocks**

Stocks, which comprise materials held for use on contracts, are stated at the lower of cost and net realisable value.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2008**

**1. ACCOUNTING POLICIES (continued)**

**Tax**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

In accordance with Financial Reporting Standards 19 'Deferred Tax', deferred tax is provided in full on timing differences which represent an asset or liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**Leases**

Assets held under finance leases are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the period of the leases.

**Share-based payments**

The ultimate parent, Interserve plc, issues equity-settled share-based payments to certain employees of the group. The fair value determined at the grant date is expensed by the group on a straight line basis over the vesting period, based on the group's estimate of shares that will eventually vest. Fair value is measured by use of an appropriate valuation model (Black-Scholes or Stochastic depending on the characteristics of the individual grants). Further details can be found in note 32 of the 2008 Interserve plc financial statements.

Interserve plc recharges to the company the fair value of grants made to employees of the company.

The company has applied the accounting requirements of FRS 20 'Share-based Payment'. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were not fully vested as of 1 January 2007.

**Provisions**

In accordance with Financial Reporting Standard 12 'Provisions, Contingent Liabilities and Contingent Assets', provision is made for contracts and expected dilapidation costs on properties.

**Foreign exchange**

The trading results of overseas subsidiary undertakings are translated into sterling at average rates of exchange ruling through the relevant period. The net assets of overseas subsidiary undertakings are expressed in sterling at the rates of exchange ruling at the balance sheet date. Differences on exchange arising from the opening net assets of overseas subsidiary undertakings are taken to reserves. Exchange differences arising in the normal course of trading and on the translation of monetary assets and liabilities are dealt with in the profit and loss.

# MACLELLAN INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

### 2. SEGMENTAL ANALYSIS

Turnover arises from the company's principal activity which is supplied to the following markets:

	2008 £'000	2007 £'000
<b>Geographical market analysis by origin and destination</b>		
United Kingdom	133,602	161,188
Rest of Europe	4,067	3,288
	<u>137,669</u>	<u>164,476</u>

### 3. OPERATING PROFIT

	2008 £'000	2007 £'000
Operating profit is stated after charging/(crediting):		
Depreciation:		
- owned assets	767	1,684
- assets under finance leases	114	753
Operating lease rentals:		
- land and buildings	168	416
- plant and machinery	523	492
- other	1,523	1,391
Less / (Profit) on disposal of tangible fixed assets	27	(42)
Amortisation of intangible fixed assets - goodwill	1,415	1,415
Fees payable to the company's auditors: audit of the company's accounts	48	45
Other operating income - management fees <sup>(1)</sup>	-	(3,083)

<sup>(1)</sup> The credit in 2007 reflects management fees charged to other group companies.

### 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company has no employees (2007: nil). Since July 2004 the services of operatives on contracts has been provided by a fellow subsidiary company with associated costs being recharged to the company. Accordingly the average number of persons employed by the company (including directors) during the year was nil (2007: nil) and staff costs incurred during the year (including directors) was nil (2007: nil).

During the year Messrs Cattell and Clitheroe were remunerated for their services to the group by MacLellan Management Services Ltd and Messrs Ashdown, Graveney and Melizan by Interserve<sup>fm</sup> Ltd; it is not practicable to allocate their remuneration between the companies of which they are directors. The number of directors who were members of a defined benefit pension scheme is nil (2007: nil directors).

**MACLELLAN INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2008**

<b>5. INTEREST PAYABLE AND SIMILAR CHARGES</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Finance leases and hire purchase agreements	18	68
	<u>18</u>	<u>68</u>
<b>6. TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
The taxation charge is made up as follows:		
<b>Current tax</b>		
UK corporation tax at 28.5% (2007: 30%)	1,273	4,325
Adjustment in respect of prior years	19	(337)
Overseas tax	92	5
Total current tax	1,384	3,993
<b>Deferred tax</b>		
Current year - origination and timing differences	115	121
Adjustment in respect of prior years	27	58
Total deferred tax	142	179
<b>Total tax charge</b>	<u>1,526</u>	<u>4,172</u>
The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 28.5% (2007: 30%). The current tax charge for the year is more than 28.5% (2007: 30%) for the reasons set out in the following reconciliation:		
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before taxation	4,213	12,986
	<u>4,213</u>	<u>12,986</u>
	<b>£'000</b>	<b>£'000</b>
Taxation on profit on ordinary activities at 28.5% (2007: 30%)	1,201	3,896
Factors affecting the charge:		
Disallowable expenses	321	483
Differences between capital allowances and depreciation	(105)	5
Other short-term timing differences	(52)	(54)
Adjustments in respect of prior years	19	(337)
<b>Current tax charge</b>	<u>1,384</u>	<u>3,993</u>

From 1 April 2008 the rate of corporation tax reduced from 30% to 28%. The company is not aware of any other factors which might materially affect the future tax charge.

**MACLELLAN INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2008**

**7. INTANGIBLE FIXED ASSETS**

	<b>Goodwill £'000</b>
<b>Cost</b>	
At 1 January and 31 December 2008	28,430
<b>Amortisation</b>	
At 1 January 2008	7,594
Charge for the year	1,415
At 31 December 2008	9,009
<b>Net book value</b>	
At 31 December 2008	19,421
At 31 December 2007	20,836

**8. TANGIBLE FIXED ASSETS**

	<b>Short leasehold land and buildings £'000</b>	<b>Plant, equipment and office furniture £'000</b>	<b>Motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 January 2008	8	7,870	13	7,891
Additions	-	155	-	155
Disposals	(7)	(3,243)	-	(3,250)
At 31 December 2008	1	4,782	13	4,796
<b>Depreciation</b>				
At 1 January 2008	5	6,398	13	6,416
Charge for the year	1	880	-	881
Disposals	(5)	(2,980)	-	(2,985)
At 31 December 2008	1	4,298	13	4,312
<b>Net book value</b>				
At 31 December 2008	-	484	-	484
At 31 December 2007	3	1,472	-	1,475

# MACLELLAN INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2008

### 8. TANGIBLE FIXED ASSETS (continued)

Assets capitalised held under finance leases included in plant, equipment and office furniture are as follows:

	2008 £'000	2007 £'000
Cost	-	5,444
Accumulated depreciation	-	(4,872)
	<u>-</u>	<u>572</u>

### 9. FIXED ASSET INVESTMENTS

	Subsidiary undertakings and loans £'000	Other investments £'000	Total £'000
Cost			
At 1 January and 31 December 2008	<u>529</u>	<u>11</u>	<u>540</u>
Provision for impairment			
At 1 January and 31 December 2008	<u>(529)</u>	<u>(11)</u>	<u>(540)</u>
Net book value			
At 31 December 2008 and 2007	<u>-</u>	<u>-</u>	<u>-</u>

The company owns directly or indirectly 100% of the voting and equity share capital of the following companies, all of which are incorporated in Great Britain and registered in England and Wales.

	Nature of business
MacLellan Limited	Facilities management services
MacLellan International Airport Services Limited	Airport support services
Excellence Support Services Limited	Dormant
One Real Estate Services Limited*	Dormant
Two Flags Connect Business Services Limited*	Dormant

\* held through subsidiary undertakings

No consolidated financial statements have been prepared as the company is a wholly owned subsidiary of a company incorporated in the United Kingdom accordingly these financial statements provide information about the individual company and not about its group.

10. STOCKS	2008 £'000	2007 £'000
Raw materials and consumables	<u>178</u>	<u>170</u>

**MACLELLAN INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2008**

<b>11. DEBTORS</b>	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
<b>Amounts due within one year</b>		
Trade debtors	13,216	12,944
Amounts owed by group undertakings	45,704	46,867
Prepayments and accrued income	4,500	10,002
	<u>63,420</u>	<u>69,813</u>
<b>Amounts due after more than one year</b>		
Deferred tax asset (note 13)	802	944
	<u>64,222</u>	<u>70,757</u>
<b>12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Trade creditors	3,136	2,216
Amounts owed to group undertakings	81,525	80,786
Corporation tax payable	723	2,586
Other taxation and social security	1,480	2,643
Obligations under finance leases	-	621
Accruals and deferred income	8,944	15,712
	<u>95,808</u>	<u>104,564</u>
<b>13. DEFERRED TAXATION</b>	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Balance at the beginning of the year	944	1,123
Net charge to the profit and loss account	(142)	(179)
<b>Balance at the end of the year</b>	<u>802</u>	<u>944</u>
<b>The deferred tax asset consists of the following amounts:</b>	<b>£'000</b>	<b>£'000</b>
Accelerated capital allowances	594	695
Short-term timing differences expected to reverse in the following period	208	249
	<u>802</u>	<u>944</u>

A deferred tax asset is not recognised in respect of timing differences where the company does not anticipate that they will be realised in the foreseeable future.



**MACLELLAN INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2008**

<b>14. SHARE CAPITAL</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Authorised, allotted, called up and fully paid 600,000 Ordinary shares of £1 each	600	600
	<hr/>	<hr/>
<b>15. MOVEMENTS ON RESERVES</b>		
<b>Profit and loss account</b>	<b>£'000</b>	
At 1 January 2008	1,000	
Profit on ordinary activities after taxation	2,687	
Dividends	(3,192)	
Loss on translation of foreign currency operations	310	
	<hr/>	
At 31 December 2008	805	
	<hr/>	
<b>16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities after taxation	2,687	8,814
Dividends	(3,192)	(6,000)
Currency adjustment	310	81
	<hr/>	<hr/>
Net (reduction)/addition to shareholders' funds	(195)	2,895
Opening shareholders' funds/(deficit)	1,600	(1,295)
	<hr/>	<hr/>
Closing shareholders' funds	1,405	1,600
	<hr/>	<hr/>
<b>17. FINANCIAL COMMITMENTS</b>		
<b>Operating leases</b>		
At 31 December 2008 the company had annual commitments under non-cancellable operating leases as follows:		
	<b>Land and buildings £'000</b>	<b>Other £'000</b>
Expiry date:		
- within one year	34	127
- within two to five years	184	378
- after five years	112	-
	<hr/>	<hr/>
	330	505
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2008**

**18. CONTINGENT LIABILITIES**

The company has provided cross-guarantees in respect of bank overdrafts and other liabilities for fellow group companies amounting in aggregate to £178,408,000 (2007: £163,000,000).

**19. PENSION ARRANGEMENTS**

The MacLellan Group 2000 Retirement Benefits Scheme, set up in July 2000, is a funded final salary (defined benefit) scheme and offers guaranteed pension benefits based upon salary and service, and broadly matches the Principle Civil Service Pension Scheme. The scheme is offered only to persons who are entitled by legislation to receive benefits on this basis.

For the purposes of Financial Reporting Standard 17 'Retirement Benefits', the company has been unable to identify its share of the underlying assets and liabilities in the group scheme on a consistent and reasonable basis. Therefore the company is accounting for contributions to the Scheme as if it were a defined contribution scheme. The Financial Reporting Standard 17 'Retirement Benefits' net pension deficit of £35,000 (2007: £54,000) is disclosed in the financial statements for MacLellan Management Services Limited, a subsidiary company that provides all operative and administrator payroll services to the MacLellan trading companies.

**20. CASH FLOW STATEMENT**

As a wholly owned subsidiary of a UK registered company, MacLellan International Limited has taken advantage of the exemption under Financial Reporting Standard 1 "Cash Flow Statements" from the requirement to produce a cash flow statement. A consolidated cash flow statement is included in the Interserve plc group financial statements.

**21. RELATED PARTY TRANSACTIONS**

The company is a wholly owned subsidiary of Interserve plc and has accordingly taken advantage of the exemption available under Financial Reporting Standard 8 'Related Party Disclosures' from disclosing transactions with group entities.

**22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The company's ultimate parent undertaking and controlling party is Interserve plc, a company registered in England and Wales. Copies of the financial statements of Interserve plc, the largest and smallest group in which the results of the company are included, can be obtained from the Company Secretary, Interserve House, Ruscombe Park, Twyford, Reading, Berkshire, RG10 9JU.