

Company Registration Number 725578

INTERSERVE ENGINEERING SERVICES LIMITED

Report and Financial Statements

31 December 2004



A04 *AEGW29AL* 513
COMPANIES HOUSE 06/10/2005

Deloitte & Touche LLP
Bristol

INTERSERVE ENGINEERING SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

CONTENTS

| | Page |
|--|-------------|
| Officers and professional advisers | 1 |
| Directors' report | 2 |
| Statement of directors' responsibilities | 4 |
| Independent auditors' report | 5 |
| Profit and loss account | 6 |
| Balance sheet | 7 |
| Notes to the financial statements | 8 |

INTERSERVE ENGINEERING SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P F Ford
S S Maroli

SECRETARY

W L Spencer

REGISTERED OFFICE

19-23 Blackfriars Road
London
SE1 8NY

AUDITORS

Deloitte & Touche LLP
Bristol

INTERSERVE ENGINEERING SERVICES LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The company has not traded during the current or prior year.

RESULTS AND FUTURE PROSPECTS

The company did not trade during the current year or prior year, but experienced an impairment charge on investments of £41,000 during the year (2003: nil). The company is expected to be dormant for the foreseeable future.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

P F Ford
S S Maroli

In accordance with the Articles of Association, directors are not required to retire by rotation.

None of the above directors has any beneficial interest in the shares of the company or any other group company during the year. The interests of the directors, who were in office, at 1 January and 31 December 2004, in the capital of the ultimate parent undertaking are as stated below:

| | Shares of 10p each | | Options over shares of 10p each | | | | Exercise price p | Period of exercise |
|------------|--------------------|-----------|---------------------------------|---------------------|--------------------|-----------|------------------|------------------------|
| | 1 Jan 04 | 31 Dec 04 | 1 Jan 04 | Granted during year | Lapsed during year | 31 Dec 04 | | |
| | | | | | | | | |
| P F Ford | 19,830 | 19,830 | 5,529 | - | - | 5,529 | 542.5 | 26 Mar 04 to 25 Mar 11 |
| | - | - | 9,471 | - | - | 9,471 | 542.5 | 26 Mar 04 to 25 Mar 08 |
| | - | - | 1,640 | - | 1,640 | - | 439.4 | 01 Jun 04 to 30 Nov 04 |
| | - | - | 10,000 | - | - | 10,000 | 566.5 | 19 Mar 05 to 18 Mar 09 |
| | - | - | - | 28,000 | - | 28,000 | 253.3 | 26 May 07 to 25 Mar 14 |
| S S Maroli | 8,827 | 8,827 | 5,529 | - | - | 5,529 | 542.5 | 26 Mar 04 to 25 Mar 11 |
| | - | - | 14,471 | - | - | 14,471 | 542.5 | 26 Mar 04 to 25 Mar 08 |
| | - | - | 10,000 | - | - | 10,000 | 566.5 | 19 Mar 05 to 18 Mar 09 |
| | - | - | 1,640 | - | 1,640 | - | 439.4 | 01 Jun 04 to 30 Nov 04 |
| | - | - | - | 75,000 | - | 75,000 | 253.5 | 26 May 07 to 25 Mar 14 |

| | | Loan notes of £1 each | |
|------------|---|-----------------------|-----------|
| | | 1 Jan 04 | 31 Dec 04 |
| P F Ford | Variable Rate Unsecured Deferred Consideration 2005 | 32,355 | 32,355 |
| S S Maroli | Variable Rate Unsecured Deferred Consideration 2005 | 53,944 | 53,944 |
| | Variable Rate Unsecured Loan Notes 2005 | 14,200 | 14,200 |

The market price of Interserve Plc shares at 31 December 2004 was 342.50p (2003: 240.00p). The high/low during the year was 235.50p (2003: 283.50p) and 342.75p (2003: 165.00p).

INTERSERVE ENGINEERING SERVICES LIMITED

DIRECTORS' REPORT (continued)

AUDITORS

A resolution to reappoint Deloitte & Touche 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

A handwritten signature in black ink, appearing to be 'P F Ford', enclosed within a circular scribble.

P F Ford
Director

29 March 2005

INTERSERVE ENGINEERING SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those accounts, 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 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 the system of internal control, 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 INTERSERVE ENGINEERING SERVICES LIMITED

We have audited the financial statements of Interserve Engineering Services Limited for the year ended 31 December 2004, which comprise the profit and loss account, the balance sheet and the related notes 1 to 12. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 of the state of the company's affairs as at 31 December 2004 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
Chartered Accountants and Registered Auditors
Bristol

31 March 2005

INTERSERVE ENGINEERING SERVICES LIMITED

PROFIT AND LOSS ACCOUNT **Year ended 31 December 2004**

| | Note | 2004 £'000 | 2003 £'000 |
|--|-------------|-----------------------|-----------------------|
| Amounts written off investments | 4 | (41) | - |
| LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION | 3 | (41) | - |
| RETAINED LOSS FOR THE FINANCIAL YEAR | 8 | (41) | - |

All operations relate to discontinued activities.

There are no recognised gains or losses for the current or preceding financial year other than as stated in the profit and loss account. Accordingly, no statement of recognised gains and losses has been presented.

INTERSERVE ENGINEERING SERVICES LIMITED

BALANCE SHEET **At 31 December 2004**

| | Note | 2004 | | 2003 | |
|---|------|-------|---------|-------|---------|
| | | £'000 | £'000 | £'000 | £'000 |
| FIXED ASSETS | | | | | |
| Investments | 4 | | - | | 41 |
| CURRENT ASSETS | | | | | |
| Debtors | 5 | 2,717 | | 2,717 | |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | | | | | |
| Creditors | 6 | (55) | | (55) | |
| NET CURRENT ASSETS | | | 2,662 | | 2,662 |
| NET ASSETS | | | 2,662 | | 2,703 |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 7 | | 10,050 | | 10,050 |
| Share premium account | | | 600 | | 600 |
| Profit and loss account | 8 | | (7,988) | | (7,947) |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | 9 | | 2,662 | | 2,703 |

The financial statements were approved by the Board of Directors on 29 March 2005.

Signed on behalf of the Board of Directors



P F Ford
Director

INTERSERVE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2004

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Convention

These financial statements have been prepared in accordance with the historical cost convention

Fixed asset investments

Investments and loans to subsidiary and associated undertakings are stated at cost less provision for any impairment in value.

2. PROFIT AND LOSS ACCOUNT

The directors are the only employees and received no remuneration from the company for either year. The audit fee was borne by another group company in both years.

3. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 2004 £'000 | 2003 £'000 |
|--|---------------|---------------|
| The taxation charge is made up as follows: | | |
| UK corporation tax at 30% (2003: 30%) | - | - |

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 30% (2003: 30%). The current tax charge for the year is less than 30% (2003: less than 30%) for the reasons set out in the following reconciliation:

| | £'000 | £'000 |
|--|-------|-------|
| Loss on ordinary activities before taxation | (41) | - |
| | | |
| | £'000 | £'000 |
| Taxation on loss on ordinary activities at standard rate | 12 | - |
| Factors affecting the charge: | | |
| Disallowable expenses | (12) | - |
| | - | - |

The company is not aware of any factors which might materially affect the future tax charge.

INTERSERVE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2004**

4. INVESTMENTS

| | £'000 |
|---|--------------|
| Cost | |
| At 1 January 2004 and 31 December 2004 | 41 |
| Provision for impairment | |
| At 1 January 2004 | - |
| Charge for the year | (41) |
| At 31 December 2004 | (41) |
| Net book value at 31 December 2004 | - |
| Net book value at 31 December 2003 | 41 |

The principal subsidiary undertakings are set out below. The subsidiary undertakings are wholly owned and incorporated in Great Britain and are all dormant.

| Subsidiary undertakings | Principal activity |
|---|---------------------------|
| How Engineering Services Northern Limited | Dormant |
| How Engineering Services Southern Limited | Dormant |
| How Engineering Services Scotland Limited | Dormant |

In accordance with the provisions of Section 228 of the Companies Act 1985 the company is exempt from the obligation to prepare and deliver group accounts as the company is included in the audited consolidated accounts of its ultimate parent undertaking, Interserve Plc, which is registered in England and Wales. Accordingly these financial statements present information about the company as an individual undertaking and not as a group.

| 5. DEBTORS | 2004 | 2003 |
|------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Amounts owed by group undertakings | 2,717 | 2,717 |
| 6. CREDITORS | 2004 | 2003 |
| | £'000 | £'000 |
| Amounts owed to group undertakings | 55 | 55 |

INTERSERVE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2004**

| | | | |
|------------|---|-------------------|-------------------|
| 7. | CALLED UP SHARE CAPITAL | 2004 | 2003 |
| | | £'000 | £'000 |
| | Authorised | | |
| | 12,000,000 Ordinary shares of £1 each | 12,000 | 12,000 |
| | | <u> </u> | <u> </u> |
| | | £'000 | £'000 |
| | Allotted and fully paid | | |
| | 10,050,000 Ordinary shares of £1 each | 10,050 | 10,050 |
| | | <u> </u> | <u> </u> |
| 8. | MOVEMENTS ON RESERVES | | |
| | Profit and loss account | £'000 | |
| | At 1 January 2004 | (7,947) | |
| | Retained loss for the financial year | (41) | |
| | | <u> </u> | |
| | At 31 December 2004 | (7,988) | |
| | | <u> </u> | |
| 9. | RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS | 2004 | 2003 |
| | | £'000 | £'000 |
| | Loss for the financial year | (41) | - |
| | | <u> </u> | <u> </u> |
| | Net reduction in shareholders' funds | (41) | - |
| | Opening shareholders' funds | 2,703 | 2,703 |
| | | <u> </u> | <u> </u> |
| | Closing shareholders' funds | 2,662 | 2,703 |
| | | <u> </u> | <u> </u> |
| 10. | CASH FLOW STATEMENT | | |
| | The company is not presenting a cash flow statement. It has taken advantage of the exemption contained in Financial Reporting Standard 1 (Revised) 'Cash Flow Statements', as the ultimate parent undertaking, Interserve Plc, has included a consolidated cash flow statement in the group accounts. | | |
| 11. | RELATED PARTY TRANSACTIONS | | |
| | The company has taken advantage of the exemption contained in Financial Reporting Standard 8 'Related Party Transactions' not to report transactions with Investee Companies in the Interserve Group which are disclosed in the consolidated financial statements of Interserve Plc. | | |

INTERSERVE ENGINEERING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2004

12. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is How Group Limited and the ultimate parent undertaking and ultimate controlling party is Interserve Plc, which is incorporated in Great Britain. A copy of the group accounts of Interserve Plc is available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. This is the only level in which the results of company are consolidated.

The largest and smallest group in which the results of the company are consolidated is that headed by Interserve Plc.