Company Registration Number 2820560

INTERSERVE*FM* LTD

Report and Financial Statements

31 December 2008

INTERSERVE*FM* LTD

REPORT AND FINANCIAL STATEMENTS 2008

CONTENTS

INTERSERVE*FM* LTD

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S Ashdown
P G Clark
M Graveney
B A Melizan
R S Thomas

SECRETARY

S A Pound

REGISTERED OFFICE

Capital Tower
91 Waterloo Road
London
SE1 8RT

AUDITORS

Deloitte LLP
London

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES AND REVIEW OF THE DEVELOPMENTS AND FUTURE PROSPECTS

The company is a holding company for a number of subsidiaries that provide facilities management services.

Interserve*fm* Ltd is a wholly owned subsidiary of Interserve*fm* Holdings Ltd.

BUSINESS REVIEW

The principal activity of Interserve*fm* Ltd's subsidiary undertakings is the provision of a comprehensive range of asset management and maintenance services to both public and private sector clients. The principal risks and uncertainties faced by its subsidiaries are discussed in detail in the financial statements of the subsidiaries and do not form part of these financial statements.

There were no major changes in the operations of the company. The directors expect the general level of activity to remain at current levels for the foreseeable future. No significant post balance sheet events have been noted.

The profit for the financial year after taxation amounted to £6,728,000 (2007: £5,706,000). A dividend of £9,000,000 (2007: £6,000,000) was paid during the year.

GOING CONCERN

The key risks and uncertainties affecting the company through its subsidiaries are considered to relate to market change, major contracts, key people, health and safety regime, financial risks and damage to reputation. Financial risks are discussed below, further discussion on other risks and uncertainties, in the context of the group as a whole, is provided in the group's annual report which does not form part of this report.

The directors have considered the company's next twelve months working capital requirements in relation to its cash position at 31 December 2008. It is noted the company is in a net current liabilities position. However, due to the nature of the funding within the group, the majority of the liabilities are inter company balances that have no fixed repayment date and are not expected to be recalled in the short term. Based on this and its future secured workload, they conclude that the company will continue to operate normally for the foreseeable future and therefore continue to prepare the financial statements on the going concern basis.

FINANCIAL RISK MANAGEMENT

The company, through its subsidiaries, has exposure to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance. The board has policies for managing each of these risks and they are summarised below. Group risks are discussed in the Group's annual report which does not form part of these financial statements.

Inflation risk

A proportion of the company's revenue and 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.

FINANCIAL RISK MANAGEMENT (continued)

Credit risk

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

Finance and Foreign Exchange Risk

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

DIRECTORS

The directors who served during the year were as follows:

S Ashdown
P G Clark
B A Melizan
M Graveney
R S Thomas

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.

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 Ashdown
Director

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 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

INTERSERVEFM LIMITED

We have audited the financial statements of Interserve*fm* Limited for the year ended 31 December 2008 which comprise the profit and loss account, 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 and are properly prepared in accordance with the Companies Act 1985. We also 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

DELOITTE LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
20 May 2009

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2008

	Note	2008 £'000	2007 £'000
TURNOVER	1	10,136	11,106
Cost of sales		(10,139)	(11,106)
GROSS LOSS		(3)	-
Administrative expenses		(18,288)	(15,052)
Income from shares in group undertakings		20,000	16,000
OPERATING PROFIT	2	1,709	948
Other interest receivable and similar income	5	-	512
Interest payable and similar charges	6	(262)	(60)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,447	1,400
Tax credit on profit on ordinary activities	7	5,281	4,306
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	16	6,728	5,706

All activities are derived from continuing operations.

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 separate statement of total recognised gains and losses has been prepared.

INTERSERVE*FM* LTD

BALANCE SHEET
At 31 December 2008

	Note	2008 £'000	2007 £'000
FIXED ASSETS			
Tangible assets	10	5,678	2,821
Investments	11	88,995	88,995
		94,673	91,816
CURRENT ASSETS			
Debtors	12	55,777	47,594
Cash at bank and in hand		40	-
		55,817	47,594
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(134,454)	(121,089)
NET CURRENT LIABILITIES		(78,637)	(73,495)
TOTAL ASSETS LESS CURRENT LIABILITIES		16,035	18,321
PROVISIONS FOR LIABILITIES	14	(103)	(116)
NET ASSETS		15,933	18,205
SHARE CAPITAL AND RESERVES			
Called up share capital	15	15,000	15,000
Profit and loss account	16	933	3,205
SHAREHOLDERS' FUNDS	17	15,933	18,205

These financial statements were approved by the Board of Directors on 20TH MAY 2009.

Signed on behalf of the Board of Directors

S Ashdown
Director

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.

Basis of preparation

The company is exempt by virtue of Section 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Going concern

The key risks and uncertainties affecting the company through its subsidiaries are considered to relate to market change, major contracts, key people, health and safety regime, financial risks and damage to reputation. Financial risks are discussed in the directors' report, further discussion on other risks and uncertainties, in the context of the group as a whole, is provided in the group's annual report which does not form part of this report.

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Turnover

Turnover relates to management charges to fellow group undertakings for recharges of employee costs incurred on their behalf.

Cash flow statement

The company has not produced a cash flow statement and has taken advantage of the exemptions under Financial Reporting Standard 1 (revised) since its ultimate holding company Interserve plc produces a consolidated cash flow statement that is publicly available.

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:

Plant and equipment	3 to 5 years

1. ACCOUNTING POLICIES (continued)

Taxation

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

In accordance with Financial Reporting Standard 19 "Deferred Tax", deferred taxation 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.

Provisions

Provision is made for foreseeable contract losses in accordance with Financial Reporting Standard 12 'Provisions, Contingent Liabilities and Contingent Assets'.

Leases

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

Pensions

The company participates in the Interserve Pension Scheme. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the Group. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

For the defined contribution scheme the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Investments

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

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 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 2004.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

2. OPERATING PROFIT

Operating profit is stated after charging:	2008 £'000	2007 £'000
Depreciation	1,003	534
Hire of plant and equipment	428	251
Rental charges for other operating leases	461	274
Auditors' remuneration - audit fee	119	147
Share based payments	187	204

Interserve*fm* Ltd bore the audit fee for its subsidiary companies and its immediate parent undertaking.

3. DIRECTORS' EMOLUMENTS

	2008 £'000	2007 £'000
Emoluments	892	1,027
Compensation for loss of office	-	246

Highest paid director:	£'000	£'000
Emoluments	246	387

	No.	No.
Number of directors who are members of a defined benefit pension scheme	1	1

The accrued pension of the highest paid director at 31 December 2008 was £27,007 (2007: £25,962) per annum with an accrued lump sum of £108,027 (2007: £112,459).

Mr Melizan transferred to the Interserve plc payroll ten days into 2008. His emoluments for these ten days were £5,000.

4. EMPLOYEES

The aggregate payroll costs including directors were as follows:	2008 £'000	2007 £'000
Wages and salaries	11,065	9,030
Social security costs	1,072	1,038
Other pension costs	5,654	5,301
Share based payments	187	204
	17,978	15,573

The average number of employees during the year was 235 (2007: 175 employees).

The company also utilised 65 agency staff whose costs are not included above (2007: 83 agency staff).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2008 £'000	2007 £'000
Other interest receivable	-	512

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £'000	2007 £'000
Bank overdraft	262	60

7. TAX CREDIT ON PROFIT ON ORDINARY ACTIVITIES

The taxation credit is made up as follows:	2008 £'000	2007 £'000
Current tax		
UK corporation tax at 28.5 % (2007: 30%) for the year	5,217	4,572
Adjustment in respect of prior years	11	(32)
Total current tax	5,228	4,540
Deferred tax		
Current year	53	(252)
Effect of change in tax rate on opening liability	-	18
Total deferred tax	53	(234)
Total tax credit	5,281	4,306

The 2008 tax rate used of 28.5% is a blended rate of 30% up to 31 March 2008 and 28% from 1 April 2008. The current tax credit for the year differs from the standard rate for the reasons set out in the following reconciliation:

	£'000	£'000
Profit on ordinary activities before taxation	1,447	1,400

	£'000	£'000
Taxation on loss on ordinary activities at standard rate	412	420
Factors affecting the charge:		
UK dividend income	(5,700)	(4,800)
Disallowable expenses	24	39
Differences between capital allowances and depreciation	43	(118)
Other short-term timing differences	4	(113)
Adjustment in respect of prior years	(11)	32
Current year tax credit	(5,228)	(4,540)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

8. DEFERRED TAXATION

	2008 £'000	2007 £'000
Balance at the beginning of the year (note 12)	95	329
Current year credit to the profit and loss account	53	(234)
Balance at the end of the year	148	95

The deferred tax asset consists of the following amounts:	£'000	£'000
Accelerated capital allowances	40	(8)
Other timing differences	108	103
	148	95

9. DIVIDENDS

	2008 £'000	2007 £'000
Dividends paid of 60p (2007: 40p) per redeemable ordinary share of £1	9,000	6,000

10. TANGIBLE FIXED ASSETS

	Plant and equipment £'000
Cost	
At 1 January 2008	5,279
Additions	3,860
At 31 December 2008	9,139
Depreciation	
At 1 January 2008	2,458
Charge for the year	1,003
At 31 December 2008	3,461
Net book value	
At 31 December 2008	5,678
At 31 December 2007	2,821

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

11. INVESTMENTS

	Shares in subsidiary undertakings £'000	Other investments £'000	Total £'000
Cost			
At 1 January 2008 and 31 December 2008	86,462	2,533	88,995

Subsidiary undertakings	Country of incorporation and operation	Activity	Portion of ordinary shares held
Direct subsidiaries			
Interserve (Defence) Ltd	England and Wales	Management and maintenance services	100%
Interserve (Facilities Management) Ltd	England and Wales	Management and maintenance services	100%
Interserve (Facilities Services) Ltd	England and Wales	Dormant	100%
Building & Property Trustees Ltd	England and Wales	Dormant	100%
Indirect subsidiaries			
Interserve (Facilities Services - Slough) Ltd	England and Wales	Management and maintenance services	100%
Landmarc Support Services Ltd	England and Wales	Management and maintenance services	51%
Maintenance and Technical Management (London) Ltd	England and Wales	Dormant	100%
Maintenance and Technical Management (Midlands) Ltd	England and Wales	Dormant	100%
Maintenance and Technical Management (Northern) Ltd	England and Wales	Dormant	100%
Maintenance and Technical Management (Scotland) Ltd	England and Wales	Dormant	100%
South East Building Management Ltd	England and Wales	Dormant	100%

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

11. INVESTMENTS (continued)

Joint ventures	Country of incorporation and operation	Activity	Percentage of equity owned at 31 December 2008
PriDE (SERP) Ltd	England and Wales	Management and maintenance services	50%
Other investments			
Newcastle Estate Partnership Holdings Limited	England and Wales	Facilities management	20%
Interserve Investments Limited	England and Wales	Holding company	9.51%

12. DEBTORS

	2008 £'000	2007 £'000
Amounts owed by other group undertakings	54,562	46,568
Corporation tax recoverable	563	629
Deferred tax asset	148	95
Other debtors	242	132
Prepayments and accrued income	262	170
	55,777	47,594

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £'000	2007 £'000
Bank overdraft	13,923	503
Trade creditors	1,325	287
Amounts owed to group undertakings	113,025	113,538
Other taxation and social security	3,288	2,156
Other creditors	14	406
Accruals and deferred income	2,879	4,199
	134,454	121,089

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

14. PROVISIONS FOR LIABILITIES

	Contract provisions £'000
Balance at 1 January 2008	116
Utilised during the year	(13)
Balance at 31 December 2008	103

15. CALLED UP SHARE CAPITAL

		2008	2007
Authorised			
100 Deferred shares of £1 each	£	100	100
6,200 Ordinary shares of US$0.01 each	US$	62	62
15,000,000 Redeemable ordinary shares of £1 each	£	15,000,000	15,000,000
Called up, allotted and fully paid			
2 Deferred shares of £1 each	£	2	2
6,158 Ordinary shares of US$0.01 each	US$	62	62
15,000,000 Redeemable ordinary shares of £1 each	£	15,000,000	15,000,000

The redeemable ordinary shares of £1 each rank pari passu with the ordinary shares and are repayable by the company on demand, at par.

Deferred shares

Deferred shareholders are not entitled to attend and vote at any general meeting.

The deferred shares can be repurchased at any time for an aggregate consideration of 0.001p.

The shareholders of the deferred shares shall not be entitled to any participation in the profits or the assets of the company. On a winding up the deferred shareholders are entitled to the amount paid after the ordinary shareholders have been paid £100,000,000 per ordinary share.

16. MOVEMENTS ON RESERVES

Profit and loss account	£'000
At 1 January 2008	3,205
Profit for the year	6,728
Dividends	(9,000)
At 31 December 2008	933

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	**2008 £'000**	**2007 £'000**
Profit for the year	6,728	5,706
Dividends (note 9)	(9,000)	(6,000)
Net addition to shareholders' funds	(2,272)	(294)
Opening shareholders' funds	18,205	18,499
Closing shareholders' funds	15,933	18,205

18. LEASE COMMITMENTS

At 31 December 2008 the company was committed to making the following payments during the next year in respect of operating leases.

Current annual commitments payable under non-cancellable operating leases expiring:

	Other 2008 £'000	**Other 2007 £'000**
Within one year	544	479
Between two and five years	2,176	2,021
After five years	12	-
	2,732	2,500

19. CONTINGENT LIABILITIES

At 31 December 2008 there were contingent liabilities in respect of guarantees given in the ordinary course of business. The company has given guarantees covering banking facilities made available to the parent and fellow subsidiary undertakings. At 31 December 2008 these amounted to £165,500,000 (2007: £163,000,000).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

20. PENSION ARRANGEMENTS

The company operates two principal pension schemes for the benefit of permanent members of staff: the Interserve Pension Scheme which has defined benefit and defined contribution sections and the Interserve Retirement Plan which is a defined contribution scheme. Actuarial valuations of the Interserve Pension Scheme are carried out every three years.

For the purposes of FRS 17 Retirement Benefits, the company is unable to identify its share of the underlying assets and liabilities in the main group Scheme, the Interserve Pension Scheme, on a consistent and reasonable basis. Therefore, following the full implementation of FRS 17, the company will account for contributions to the defined benefit scheme as if it were a defined contribution scheme. Note 33 to the report and accounts of the group set out details of the IAS 19 net pension liability of £153.1 million (2007: £83.1 million).

The aggregate pension cost incurred for the year for these arrangements was £5,654,000 (2007: £5,301,000). There were no amounts due to or from the schemes at the year end.

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 of which 90% or more of the voting rights are controlled within the group.

22. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

Building & Property (Holdings) Limited, a company registered in England and Wales, is the company regarded by the directors as the immediate parent company.

Interserve plc, a company registered in England and Wales, is the company regarded by the directors as the ultimate parent company and controlling party and is the smallest and largest group for which group financial statements are prepared. Copies of the financial statements of Interserve plc and Building & Property (Holdings) Limited can be obtained from the Company Secretary, Interserve House, Ruscombe Park, Twyford, Reading, Berkshire, RG10 9JU.