

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

Report and Financial Statements

31 December 2010

Company Registration No. 03306668

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INTERSERVE ENVIRONMENTAL SERVICES LIMITED

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INTERSERVE ENVIRONMENTAL SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

The directors of the company are set out below:

Mr W T Craig
Mr D Troth

COMPANY SECRETARY

The company secretary who served during the year is set out below:

Mrs S Pound

REGISTERED OFFICE

Capital Tower
91 Waterloo Road
London
SE1 8RT

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2010

PRINCIPAL ACTIVITY, TRADING REVIEW AND FUTURE DEVELOPMENTS

The principal activities of the company are surveying, record management and removal of asbestos materials

As shown in the profit and loss account on page 8 the turnover increased by 6% over last year to £6,447k, (2009 £6,107k) and profit before tax increased by 55% to £328k (2009 £212k)

The company's balance sheet on page 9 shows a net decrease in net assets to £1,117k (2009 £1,197k).

At the end of 2009, central operations were moved to a shared service centre. As such all costs except a management recharge are considered as direct costs in the current year. The prior year numbers have been restated to show a true like-for-like comparison.

Interserve Plc Group manages its operations on a divisional basis, further information can be found in the Interserve Plc financial statements. For this reason, the directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Total dividends paid in the year were £300,000 (2009 £nil) No final dividend was proposed (2009: £nil)

As part of preparation of the financial statements, the directors have carried out a review with respect to going concern. The directors have examined the order book going forward and the prospects of the business given the current economic climate. They have reviewed cash flow forecasts associated with that order book and those prospects

The company meets its day to day working capital requirements through an overdraft facility that is provided by its ultimate parent Interserve Plc.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

PRINCIPAL RISKS AND UNCERTAINTIES

The company's operations expose it to a variety of financial risks that include the effects of credit risk and liquidity risk.

CREDIT RISK

All trade is carried out subject to our standard credit terms and normal terms and conditions. The debtors ledger is reviewed on a regular basis to determine the age of the debt and any necessary provision is made accordingly. Work in progress balances are reviewed on an ongoing basis and judgements are made with regard to the recoverability of amounts due and liabilities arising

LIQUIDITY RISK

In order to ensure the company has sufficient funds for its on going operations and future activities, the company uses a combination of overdrafts and Group loans. The financing and liquidity of the company is managed in conjunction with the Group treasury function

The directors are satisfied that given the nature of this company there are no other significant risks and uncertainties to consider. Group risks are discussed in the Group's annual report which does not form part of these financial statements.

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

Interests in shares and options to purchase shares, of those directors who are also directors of Interserve Plc are disclosed in the accounts of Interserve Plc. As at the date of this report and during the year ended 31 December 2010, no indemnities are in force for the directors of this company.

Directors who served during the year and have since resigned are, Mr R L Phillips, who resigned 1 April 2010; Mr T Dolan, who resigned 8 June 2010; Mr S A Ashdown, who resigned 9 August 2010; and Mr BW Spencer, who resigned 3 September 2010.

With the resignation of Mr R L Phillips, Mrs S Pound was appointed as company secretary on 1 April 2010.

EMPLOYEE INVOLVEMENT

Within the bounds of commercial confidentiality, management disseminates information to all levels of staff about matters that affect progress of the company and are of interest and concern to them as employees.

A Group newsletter is also distributed at regular intervals to all employees which includes articles about the company's activities and its performance.

CHARITABLE AND POLITICAL DONATIONS

There were no charitable or political donations made during the period (2009: £nil).

DISABLED PERSONS

The company has an established policy that disabled persons, especially should they become disabled in the course of their employment with the company, are employed where circumstances permit. The company endeavours to ensure that disabled employees benefit from training and career development programmes in common with other employees.

CREDITOR PAYMENT POLICY

It is the company's normal practice to agree payment terms with its suppliers and abide by those terms. Payment becomes due when it can be confirmed that goods and/or services have been provided in accordance with the relevant contractual conditions. Trade creditors for the company at 31 December 2010, calculated in accordance with the requirements of the Companies Act 2006, were 67 days (2009: 62 days). This represents the ratio, expressed in days between the amounts invoiced to the company in the year by its suppliers and the amounts due, at the year end to trade creditors falling due for payment within one year.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the directors 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 auditor is unaware; and
- 2) the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

AUDITOR

A resolution to re-appoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting

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



Mrs S Pound
Company Secretary

8th June 2011, Capital Tower, 91 Waterloo Road, London SE1 8RT

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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). 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 company and of the profit 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 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 ENVIRONMENTAL SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERSERVE ENVIRONMENTAL SERVICES LIMITED

We have audited the financial statements of Interserve Environmental Services Limited for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with the applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatement or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

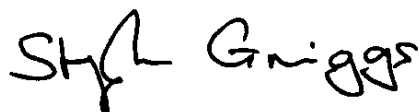
INTERSERVE ENVIRONMENTAL SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERSERVE ENVIRONMENTAL SERVICES LIMITED (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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



Stephen Griggs (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK

21 June 2011

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2010

		2010	2009 Restated Note 1
	Note	£000	£000
TURNOVER	2	6,447	6,107
Cost of Sales *		(6,119)	(5,895)
GROSS PROFIT		328	212
Administrative Expenses *	1	-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	328	212
Tax charge on profit on ordinary activities	6	(108)	(98)
PROFIT AFTER TAX		220	114

All profits arise from continuing operations.

The accompanying notes are an integral part of this profit and loss account.

There are no recognised gains or losses in the year other than the profit for the year, accordingly no statement of recognised gains and losses is given.

* Administrative expenses relate to management recharges in line with the current Interserve Support Services divisions' classification. This provides comparability between the group for use of shared services. 2009 comparatives have been restated from £888k to £nil to reflect the comparable expenses. The balance of expenses of £888k in 2009 relate to salaries, depreciation, accommodation, transport and other costs which have been reclassified as cost of sales in line with group policy. This reclassification does not impact operating profit.

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

BALANCE SHEET 31 December 2010

	Note	2010 £000	2009 £000
FIXED ASSETS			
Tangible assets	8	23	34
		<u>23</u>	<u>34</u>
CURRENT ASSETS			
Debtors	10	10,400	10,268
		<u>10,423</u>	<u>10,302</u>
CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(9,306)	(9,105)
		<u>1,117</u>	<u>1,197</u>
NET ASSETS		<u>1,117</u>	<u>1,197</u>
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Profit and loss account	13	1,117	1,197
		<u>1,117</u>	<u>1,197</u>
SHAREHOLDERS' FUNDS	14	<u>1,117</u>	<u>1,197</u>

The financial statements of Interserve Environmental Services Limited, registered number 03306668, were approved by the Board of directors and authorised for issue on 8th June 2011.

The accompanying notes are an integral part of this balance sheet.

Signed on behalf of the Board of Directors.

D Troth
Director

Dave Troth

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the Year Ended 31 December 2010**

1. ACCOUNTING POLICIES

The principal accounting policies adopted are described below, they have been applied consistently in the prior and current periods

a) Convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

As part of preparation of the financial statements, the directors have carried out a review with respect to going concern. The directors have examined the order book going forward and the prospects of the business given the current economic climate. They have reviewed cash flow forecasts associated with that order book and those prospects.

The company meets its day to day working capital requirements through an overdraft facility that is provided by its ultimate parent Interserve Plc

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

In accordance with the provisions of Section 400 of The Companies Act 2006 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 incorporated in Great Britain and registered in England and Wales. Accordingly, these financial statements present information about the company as an individual undertaking and not as a group.

b) Turnover

Turnover comprises the fair value of goods and services supplied to external customers and the value of work executed in respect of contracts, excluding VAT. Turnover is recognised on completion of the contracted services.

c) Treatment of administrative expenses - shared services

At the end of 2009, central operations were moved to a shared service centre. Previously administrative costs included salaries, depreciation, accommodation, transport and other costs which have been reclassified as cost of sales in line with group policy. The prior year numbers have also been restated to show a true like-for-like comparison. The recharge is an intercompany recharge based on an Interserve Support Services cost allocation. It is allocated to those entities within Support Services who have use of these shared services. Those services that are available are, but not exclusively used by all entities include, HR, Business Development, Business Systems, HSE, Finance and Commercial. The recharge is variable in nature dependant upon the usage of these services.

d) Current Taxation

Current tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 December 2010

1. ACCOUNTING POLICIES (CONTINUED)

e) Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future 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.

f) Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provisions for impairment.

Depreciation is provided on a straight line basis except where noted, calculated to write down the cost of assets over their estimated useful economic lives as follows:

Furniture and office equipment	- 5 Years
Plant and machinery	- 8 Years

g) Stock and Work in Progress

Contract work in progress is valued at cost plus attributable profit less foreseeable losses. If a loss is foreseen, a forward loss is recognised in the accounts of the company immediately. Attributable profit is included when the outcome of a contract can be assessed with reasonable certainty. The value of contract work in progress is accounted for within turnover and in accordance with Statement of Standard Accounting Practice 9 (Revised) - Stocks and Long Term Contracts, the excess of the book value over payments receivable is included in debtors as "Amounts recoverable on contracts". Payments receivable in excess of book value on an individual contract basis are included in creditors.

h) Pensions

The company participates in the Interserve Pension 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.

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 main Group defined benefit scheme on a consistent and reasonable basis. Therefore, the company accounts for contributions to the Scheme as if it were a defined contribution scheme. Note 30 to the 2010 annual report and financial statements of the Group (which does not form part of this report) sets out the details of the International Accounting Standard 19 "Employee Benefits" net pension liability of £51.5 million (2009 £95.3 million).

The aggregate pension cost incurred by the company for the year for these arrangements was £59,000 (2009 £64,000). There were no amounts due to or from the scheme at the year end.

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 December 2010

2. TURNOVER

The company's turnover and profit arise wholly within the UK and are derived from its activity of surveying, record management and the removal of asbestos removals

3. OPERATING PROFIT

	2010 £000	2009 £000
This is stated after charging:		
Depreciation on owned assets	11	(13)
Hire of plant and machinery	356	259
Operating lease rentals	136	40
Remuneration payable to auditors:		
Fees payable to the company's auditor for the audit of the company's annual accounts *	-	2
Fees payable to the company's auditor for other services	-	-
	<u> </u>	<u> </u>

* Fees of £1k have been borne by Interservefm Limited for 2010

4. EMPLOYEES

	2010 Number	2009 Number
The average number of persons employed by the company (including directors) within each category of person was		
Production staff	62	56
Sales & Administration staff	16	14
	<u> </u>	<u> </u>
	78	70
	<u> </u>	<u> </u>
The costs incurred in respect of these employees were	2010 £000	2009 £000
Wages and salaries	2,206	2,120
Social security costs	222	208
Other pension costs	59	64
	<u> </u>	<u> </u>
	2,487	2,392
	<u> </u>	<u> </u>

5. DIRECTORS

In 2010 the remaining statutory directors were remunerated through other companies in the Interserve group.

During the year Messrs Craig and Troth were remunerated for their services to the group by Interserve Industrial Services Limited and Maclellan International Limited respectively. It is not considered practicable to allocate their remuneration between the companies of which they are Directors.

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the Year Ended 31 December 2010**

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2010 £000	2009 £000
UK corporation tax charge at 28% (2009: 28%)	96	98
Adjustments in respect of prior years	9	-
	<hr/>	<hr/>
Total tax charge	105	98
	<hr/>	<hr/>
Deferred taxation - current year	(2)	-
Adjustments in respect of prior years	5	-
	<hr/>	<hr/>
Total deferred tax	3	-
	<hr/>	<hr/>
Total tax on profit on ordinary activities	108	98
	<hr/>	<hr/>

The standard rate of tax for the year, based on the UK standard rate of corporation tax reduced to 28% on 1st April 2008

The reduction of the UK corporation tax rate from 28% to 27% from 1 April 2011 has resulted in a change in deferred tax charge. This is arising from the reduction in the balance sheet carrying value of deferred tax assets to reflect the anticipated rate of tax at which those assets are expected to reverse.

On 23 March 2011 the Government announced that the main rate of Corporation Tax rate would reduce to 26% with effect from 1 April 2011, with subsequent 1% reductions per annum to reach 23% with effect from 1 April 2014. These tax rate reductions had not been substantively enacted at the balance sheet date and therefore have not been reflected in the financial statements. The effect of these tax rate reductions on the deferred tax balance will be accounted for in the period in which the tax rate reductions are substantively enacted.

The actual tax charge for the current and the previous year is different to the standard rate for the reasons set out in the following reconciliation:

	2010 £000	2009 £000
Profit on ordinary activities before tax	328	212
	<hr/>	<hr/>
Tax charge on profit on ordinary activities at standard rate	92	59
	<hr/>	<hr/>
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	2	39
Capital allowances in excess of depreciation	2	-
Short term timing differences	9	-
	<hr/>	<hr/>
	105	98
	<hr/>	<hr/>

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the Year Ended 31 December 2010**

7. DIVIDENDS

	2010 £000	2009 £000
Dividend paid to Interserve Specialist Services (Holdings) Limited (£300,000 per share)	300	-

8. TANGIBLE FIXED ASSETS

	Furniture and office equipment £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2010	5	82	87
Additions	-	-	-
Disposals	-	-	-
At 31 December 2010	5	82	87
Accumulated depreciation			
At 1 January 2010	2	51	53
Charge for the year	2	9	11
Disposals	-	-	-
At 31 December 2010	4	60	64
Net book value			
At 31 December 2010	1	22	23
At 31 December 2009	3	31	34

9. OPERATING LEASES

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as follows

	Land and Buildings 2010 £000	2009 £000
Commitments expiring		
Within one year	2	10
In two to five years	-	26
After five years	-	-
	2	36

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the Year Ended 31 December 2010**

10. DEBTORS

	2010 £000	2009 £000
Amounts recoverable within one year:		
Trade debtors	371	589
Amounts owed by group undertakings	9,471	9,159
Deferred tax	-	2
Prepayments and accrued income	558	518
	<u>10,400</u>	<u>10,268</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £000	2009 £000
Amounts owed to group undertakings	8,477	8,245
Corporation tax	8	167
Deferred tax	1	-
Other taxes and social security	114	86
Accruals and deferred income	706	607
	<u>9,306</u>	<u>9,105</u>

	Deferred Taxation £000
At 1 January 2010	2
Profit and loss account charge	2
Prior year adjustment	(5)
	<u>(1)</u>
At 31 December 2010	<u>(1)</u>

The opening and closing deferred tax asset represented unclaimed capital allowances. The directors expect that these capital allowances will be utilised in future periods

12. SHARE CAPITAL

	2010 £000	2009 £000
Authorised:		
1,000 ordinary shares at £1 each	<u>1</u>	<u>1</u>
Allotted and called up:		
1 ordinary share at £1 each	<u>-</u>	<u>-</u>

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 December 2010

13. RESERVES

	Total £000
At 1 January 2010	1,197
Profit for the financial year	220
Dividend paid (note 7)	(300)
	<hr/>
At 31 December 2010	1,117
	<hr/>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 £000	2009 £000
Profit attributable to members of the company	220	114
Dividends paid	(300)	-
	<hr/>	<hr/>
Net (reduction) / increase to shareholders' funds	(80)	114
Opening shareholders' funds	1,197	1,083
	<hr/>	<hr/>
Closing shareholders' funds	1,117	1,197
	<hr/>	<hr/>

15. CONTINGENT LIABILITIES

At 31 December 2010 there were no contingent liabilities in respect of guarantees given in the ordinary course of business.

16. 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 - 'Cash Flow Statements' not to do so as the ultimate parent undertaking, Interserve Plc, has included a consolidated cash flow statement in the group accounts.

17. ULTIMATE PARENT COMPANY

The company's ultimate controlling party, is Interserve Plc, which is incorporated in Great Britain.

The company's immediate parent company is Interserve Specialist Services (Holdings) Limited

Interserve Plc is the parent company of the largest and smallest group of which the company is a member and for which group financial statements are drawn up.

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 eliminated in the consolidated financial statements of Interserve Plc. The group accounts of Interserve Plc are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.