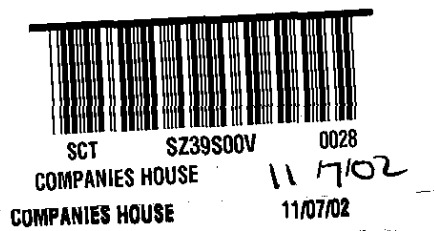


HOW ENGINEERING SERVICES SCOTLAND LIMITED

Report and Financial Statements

31st December 2001



REPORT OF THE DIRECTORS

The directors present their report and the audited accounts for the period ended 31st December 2001.

ACTIVITIES AND REVIEW OF DEVELOPMENTS

The company ceased trading in 1997 and since then has been involved in remedial works in accordance with its contractual obligations. The loss after taxation of £17,000 (2000 £2,000) was attributable to the settlement of contract debtors. Remedial works will continue until all contract debtors have been recovered.

RESULTS

The results of the company are set out on page 5. The directors do not recommend the payment of a dividend (2000 £nil). Losses of £17,000 (2000 £2,000) have been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are set out below:-

B Bracknall
J Matthews

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.

The interests of the directors at 31st December 2001 in the capital of the ultimate parent undertaking are as stated below.

	<u>Shares of</u> <u>10p each</u>		<u>Options for</u> <u>Shares of</u> <u>10p each</u>		<u>Exercise</u> <u>Price</u> p	<u>Period of</u> <u>Exercise</u> From	To
	1.1.01*	31.12.01	1.1.01*	31.12.01			
B Bracknall	-	-	-	-	-	-	-
J Matthews	-	-	18,000	18,000	346	14/06/2003	13/06/2007
J Matthews	-	-	-	15,000	542	26/03/2004	25/03/2008
J Matthews	-	-	-	1,640	439	01/06/2004	01/12/2004

No options to subscribe for shares of 10p each in the ultimate parent undertaking were exercised by directors during the period to 31st August 2001. The market price of the shares at 31st December 2001 was 510p. The range of closing prices during the year was 459p to 605p.

The directors have no other interest in any other group undertaking (2000 - none).

POLICY ON PAYMENT OF CREDITORS.

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 at 31 December 1998, calculated in accordance with the requirements of the Companies Act 1985, were 102 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 end, to trade creditors falling due for payment within one year. There were no amounts invoiced to the company in 2001.

REPORT OF THE DIRECTORS

AUDITORS

Re-appointing resolutions will be proposed at the Annual General Meeting to re-appoint Deloitte & Touche as auditors to the company.

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

A handwritten signature in black ink, appearing to be 'WL Spencer', with a long horizontal line extending to the right.

WL Spencer
Secretary

10 May 2002

Interserve House
19 – 23 Blackfriars Road
London
SE1 8NY

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 and of the profit or loss for that period. In preparing those 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;
- 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 HOW ENGINEERING SERVICES SCOTLAND LIMITED

We have audited the financial statements of How Engineering Services Scotland Limited for the year ended 31ST December 2001, which comprise the profit and loss account, the balance sheet, and the related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

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

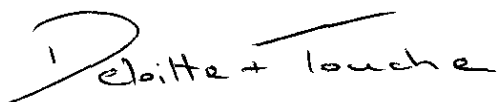
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 31st December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and Registered Auditors



10 May 2002

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2001

	Note	2001 £000	2000 £000
TURNOVER	1	(24)	(19)
Cost of sales		-	15
GROSS LOSS		(24)	(4)
Administration expenses		-	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(24)	(4)
Tax on loss on ordinary activities	4	7	2
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS	9	(17)	(2)

All activities derive from discontinued operations.

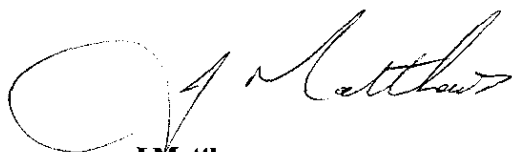
There are no recognised gains or losses other than as stated in the profit and loss account.

BALANCE SHEET AS AT 31ST DECEMBER 2001

	Note	2001 £000	2000 £000
CURRENT ASSETS			
Debtors	5	155	185
Cash at bank and in hand		<u>104</u>	<u>92</u>
		259	295
CREDITORS FALLING DUE WITHIN ONE YEAR			
Trade creditors		(95)	(96)
Sundry creditors	6	<u>(152)</u>	<u>(152)</u>
		(247)	(248)
NET CURRENT ASSETS		<u>12</u>	<u>29</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12</u>	<u>29</u>
CAPITAL AND RESERVES			
Called up share capital	7	260	260
Profit and loss account	8	(248)	(231)
EQUITY SHAREHOLDERS FUNDS	9	<u>12</u>	<u>29</u>

These financial statements were approved by the Board of Directors on 25 April 2002.

Signed on behalf of the Board of Directors.



J Matthews
Director

10 May 2002

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31ST AUGUST 2001**1. ACCOUNTING POLICIES**

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

a) CONVENTION

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

b) TURNOVER

Turnover represents the invoiced value of goods supplied and services rendered to third parties excluding VAT, as adjusted by the variation between the opening and closing valuations of contracts in progress and after making full provision for potential claims and allowances.

c) STOCKS AND WORK IN PROGRESS

Contract work in progress is valued at cost plus attributable profit less foreseeable losses. 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 as "Advance payments".

d) DEFERRED TAXATION

Provision is made and relief is taken at projected rates of taxation for timing differences between the treatment of certain items for taxation and for accounting purposes to the extent that liabilities or assets are likely to crystallise in the foreseeable future.

2. SEGMENTAL ANALYSIS

The company's turnover arises in the U.K. from its activities as a provider of design, supply and installation of services to buildings.

3. EMPLOYEES

Average number of persons employed by the company

2001	2000
No	No
<u>-</u>	<u>-</u>

Staff costs during the year

<u>-</u>	<u>-</u>
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No director received any remuneration during the year.

4. TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

UK Corporation tax at 30% (2000 – 30%)

2001	2000
£000	£000
<u>(7)</u>	<u>(2)</u>

5. DEBTORS

Amounts recoverable on contracts
Amounts owed by subsidiary undertakings
Taxation recoverable

2001	2000
£000	£000
55	93
55	55
44	37
<u>155</u>	<u>185</u>

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31ST AUGUST 2001

	2001 £000	2000 £000
6. SUNDRY CREDITORS		
Amounts owed to subsidiary undertakings	150	150
Other creditors	2	2
	<u>152</u>	<u>152</u>

	2001 £000	2000 £000
7. CALLED UP SHARE CAPITAL		
Authorised		
300,000 ordinary shares of £1 each	<u>300</u>	<u>300</u>
Allotted and fully paid		
260,000 ordinary shares of £1 each	<u>260</u>	<u>260</u>

	2001 £000
8. PROFIT AND LOSS ACCOUNT	
1st January 2001	(231)
Loss for the period	(17)
31st December 2001	<u>(248)</u>

	2001 £000	2000 £000
9. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS		
Loss attributable to shareholders	(17)	(2)
Opening shareholders' funds	<u>29</u>	<u>31</u>
Closing shareholders' funds	<u>12</u>	<u>29</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. ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

The company's immediate parent undertaking is How Engineering Services Limited and the immediate and ultimate parent undertaking and ultimate controlling party is Interserve Plc, which is incorporated in Great Britain. The Group accounts of Interserve Plc are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

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.