

**HOW ENGINEERING SERVICES SCOTLAND  
LIMITED**

**Report and Financial Statements**

**31 December 2003**



**REPORT AND FINANCIAL STATEMENTS 2003**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

P F Ford  
S S Maroli

**SECRETARY**

W L Spencer

**REGISTERED OFFICE**

1 Albion Way  
Kelvin Industrial Area  
East Kilbride  
Glasgow  
G75 0XZ

**AUDITORS**

Deloitte & Touche LLP  
Bristol

# DIRECTORS' REPORT

The directors present their annual report and audited balance sheet for the year ended 31 December 2003.

## 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. It is not expected to trade in the foreseeable future. As part of the process of unifying the brand of the parent company, Interserve Plc, the net assets of How Engineering Services Scotland Limited were transferred to Interserve Project Services Limited. It was subsequently transferred to Interserve (Facilities Services) Ltd on 1 January 2002.

## RESULTS

The results of the company are set out on pages 6 to 11. The directors do not recommend the payment of a dividend (2002: nil). Profits after taxation of nil (2002: £12,000) have been transferred to reserves.

## DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

P F Ford	
S S Maroli	(appointed 18 June 2003)
J Matthews	(resigned 31 July 2003)
B Bracknell	(resigned 18 June 2003)

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 companies during the year. The interests of the directors at 31 December 2003 in the capital of the ultimate parent undertaking are as stated below:

Options over shares of 10p each								
	Shares of 10p each		1 Jan 03	Granted during year*	Lapsed during year	31 Dec 03	Exercise price p	Period of exercise
	1 Jan 03	31 Dec 03*						
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	1 Jun 04 to 30 Nov 04
	-	-	10,000	-	-	10,000	566.5	19 Mar 05 to 18 Mar 09
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	1 Jun 04 to 30 Nov 04

Loan notes of £1 each			
		1 Jan 03*	31 Dec 03
P F Ford	Variable Rate Unsecured Deferred Consideration 2005	45,000	32,355
S S Maroli	Variable Rate Unsecured Deferred Consideration 2005	74,800	53,944
	Variable Rate Unsecured Loan Notes 2005	14,200	14,200

\* or date of appointment

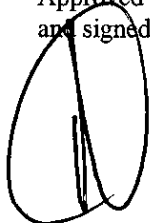
The market price of Interserve Plc shares at 31 December 2003 was 240.00p. The high/low during the year was 283.50p and 165.00p.

**DIRECTORS' REPORT (continued)**

**AUDITORS**

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provision of Section 26(5) of the Companies Act 1989. 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 large, hand-drawn oval.

**P F Ford**  
Director

14 May 2004

**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 HOW ENGINEERING SERVICES SCOTLAND LIMITED

We have audited the financial statements of How Engineering Services Scotland Limited for the year ended 31 December 2003, which comprise the profit and loss account, the balance sheet and the related notes 1 to 8. 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 2003 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**DELOITTE & TOUCHE LLP**  
Chartered Accountants and Registered Auditors  
Bristol

27 May 2004

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 2003**

	<b>Note</b>	<b>2003 £'000</b>	<b>2002 £'000</b>
Cost of sales		-	17
<b>GROSS PROFIT</b>		-	17
<b>OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		-	17
Tax on profit on ordinary activities	3	(39)	(5)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS</b>	6	(39)	12

All activities derive from discontinued operations.

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



**HOW ENGINEERING SERVICES SCOTLAND LIMITED**

**BALANCE SHEET**  
**At 31 December 2003**

	<b>Note</b>	<b>2003 £'000</b>	<b>2002 £'000</b>
<b>CURRENT ASSETS</b>			
Debtors	4	56	95
Cash at bank and in hand		102	102
		<u>158</u>	<u>197</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Amounts owed to group undertakings		(150)	(150)
Other creditors		(23)	(23)
		<u>(173)</u>	<u>(173)</u>
<b>NET CURRENT ASSETS</b>		<u>(15)</u>	<u>24</u>
<b>NET ASSETS</b>		<u>(15)</u>	<u>24</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	5	260	260
Profit and loss account		(275)	(236)
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	6	<u>(15)</u>	<u>24</u>

These financial statements were approved by the Board of Directors on 14 May 2004.

Signed on behalf of the Board of Directors



**P F Ford**  
Director

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2003**

**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.

**2. PROFIT AND LOSS ACCOUNT**

The company has not traded during the year.

The directors are the only employees and received no remuneration from the company. The audit fee was borne by another group company.

**3. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<b>2003</b> <b>£'000</b>	<b>2002</b> <b>£'000</b>
Corporation tax charge for the year	-	(5)
Prior year adjustment	(39)	-
<b>Total current tax charge</b>	<u>(39)</u>	<u>(5)</u>

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 30% (2001: 30%). The current tax charge for the year is less than 30% (2001: less than 30%) for the reasons set out in the following reconciliation:

	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before taxation	<u>-</u>	<u>17</u>
	<b>£'000</b>	<b>£'000</b>
Taxation on profit on ordinary activities at standard rate	-	(5)
Factors affecting the charge		
Prior year adjustment	(39)	-
	<u>(39)</u>	<u>(5)</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2003**

<b>4. DEBTORS</b>	<b>2003 £'000</b>	<b>2002 £'000</b>
Amounts owed by group undertakings	56	56
Taxation recoverable	-	39
	<u>56</u>	<u>95</u>

<b>5. CALLED UP SHARE CAPITAL</b>	<b>2003 £'000</b>	<b>2002 £'000</b>
<b>Authorised</b>		
300,000 Ordinary shares of £1 each	<u>300</u>	<u>300</u>
	<b>£'000</b>	<b>£'000</b>
<b>Allotted and fully paid</b>		
260,000 Ordinary shares of £1 each	<u>260</u>	<u>260</u>

<b>6. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS</b>	<b>2003 £'000</b>	<b>2002 £'000</b>
Profit/ (Loss) attributable to shareholders	(39)	12
Opening shareholders' funds	<u>24</u>	<u>12</u>
<b>Closing shareholders' funds</b>	<u>(15)</u>	<u>24</u>

**7. CASH FLOW STATEMENT**

The company is not presenting a cash flow statement. It has taken advantage of the exemption contained in FRS1 (Revised) 'Cash Flow Statements', as the ultimate parent undertaking, Interserve Plc, has included a consolidated cash flow statement in the group accounts.

**8. ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS**

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

The company has taken advantage of the exemption contained in FRS8 '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.