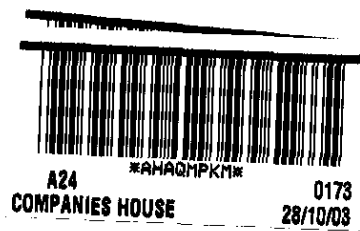


**HOW ENGINEERING SERVICES SCOTLAND LIMITED**

**Report and Financial Statements**

**31st December 2002**



**REPORT OF THE DIRECTORS**

The directors present their annual report and the audited accounts for the period ended 31st December 2002.

**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. 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<sup>st</sup> January 2002. The profit after taxation of £12,000 (2001 loss of £17,000) was attributable to the settlement of contract debtors.

**RESULTS**

The results of the company are set out on pages 5 to 9. The directors do not recommend the payment of a dividend (2001 £nil). Profit of £12,000 (2001 loss of £17,000) have been transferred to reserves.

**DIRECTORS AND THEIR INTERESTS**

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

B Bracknall

P Ford (Appointed 15/10/02)

J Matthews

A M Ringrose (Appointed 15/10/02 – Resigned 31/12/02)

*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 2002 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 02	* 31 Dec 02	1 Jan 02	Granted *during year	Exercised/lapsed during year	31 Dec 02		
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
J Matthews	-	3,890	-	10,000	-	10,000	566.5	19 Mar 05 to 18 Mar 09
			8,670	-	-	8,670	346	11 Jun 03 to 13 Jun 10
			15,000	-	-	15,000	542.5	26 Mar 04 to 25 Mar 08
			-	10,000	-	10,000	566.5	19 Mar 05 to 18 Mar 09
			9,330	-	-	9,330	346	14 June 03 to 13 June 07
			1,640	-	-	1,640	439.4	1 June 04 to 30 Nov 04
			-	241	-	241	441	1 June 05 to 30 Nov 05

**Loan notes of £1 each**  
**1 Jan 02\*      31 Dec 02**

P F Ford	Variable Rate Unsecured Deferred Consideration 2005	45,000	45,000
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\* or date of appointment

**POLICY ON PAYMENT OF CREDITORS.**

There were no amounts invoiced to the company in 2001 or 2002

**REPORT OF THE DIRECTORS**

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**AUDITORS**

A resolution 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, consisting of a large capital 'P' followed by a stylized 'F' and 'ord'.

P Ford  
Director

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

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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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 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; 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 HOW ENGINEERING SERVICES  
SCOTLAND LIMITED**

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We have audited the financial statements of How Engineering Services Scotland Ltd for the year ended 31 December 2002 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.

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.

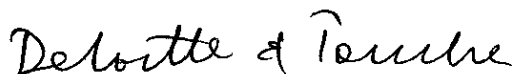
**Basis of audit opinion**

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<sup>st</sup> December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**DELOITTE & TOUCHE**Chartered Accountants and Registered Auditors  
Bristol*29 May 2003*

**PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST DECEMBER 2002**

	Note	2002 £000	2001 £000
<b>TURNOVER</b>	1	-	(24)
Cost of sales		17	-
<b>GROSS PROFIT / (LOSS)</b>		<u>17</u>	<u>(24)</u>
<b>OPERATING PROFIT / (LOSS) AND PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>17</u>	<u>(24)</u>
Tax on profit / (loss) on ordinary activities	4	(5)	7
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS</b>	9	<u>12</u>	<u>(17)</u>

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 2002**

	Note	2002 £000	2001 £000
<b>CURRENT ASSETS</b>			
Debtors	5	95	155
Cash at bank and in hand		102	104
		<u>197</u>	<u>259</u>
<b>CREDITORS FALLING DUE WITHIN ONE YEAR</b>			
Trade creditors		-	(95)
Sundry creditors	6	(173)	(152)
		<u>(173)</u>	<u>(247)</u>
<b>NET CURRENT ASSETS</b>		<u>24</u>	<u>12</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		24	12
<b>NET ASSETS</b>		<u>24</u>	<u>12</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	7	260	260
Profit and loss account	8	(236)	(248)
<b>TOTAL EQUITY SHAREHOLDERS FUNDS</b>	9	<u>24</u>	<u>12</u>

These financial statements were approved by the Board of Directors on 23 May 2003.

Signed on behalf of the Board of Directors.



**P Ford**  
Director

**NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31ST DECEMBER 2002****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**

Deferred tax is provided in full on timing differences that 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 financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. 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

**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**

	2002 No	2001 No
Average number of persons employed by the company	-	-
Staff costs during the year	-	-

No director received any remuneration during the year for services to the company.  
The audit fee was born by another group company.

	2002 £000	2001 £000
<b>4. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES</b>		
Corporation tax charge for the year	(5)	7
Under provision in respect of prior year	-	-
Total current tax charge	(5)	7
	(5)	7

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:exceeds 30%) for the reasons set out in the following reconciliation:

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31ST DECEMBER 2002

	2002 £'000	2001 £'000
Profit on ordinary activities before taxation	17	(24)
	£'000	£'000
Taxation on profit on ordinary activities at standard rate	(5)	8
Factors affecting the charge:		
Other	-	(1)
	(5)	7

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

	2002 £000	2001 £000
<b>5. DEBTORS</b>		
Amounts recoverable on contracts	-	55
Amounts owed by subsidiary undertakings	56	55
Taxation recoverable	39	44
	95	155

	2002 £000	2001 £000
<b>6. SUNDRY CREDITORS</b>		
Amounts owed to subsidiary undertakings	150	150
Other creditors	23	2
	173	152

	2002 £000	2001 £000
<b>7. CALLED UP SHARE CAPITAL</b>		
Authorised		
300,000 ordinary shares of £1 each	300	300
Allotted and fully paid		
260,000 ordinary shares of £1 each	260	260

	2002 £000	2001 £000
<b>8. PROFIT AND LOSS ACCOUNT</b>		
1st January 2002	(248)	
Profit for the period	12	
31st December 2002	(236)	

## NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 31ST DECEMBER 2002

	2002	2001
	£000	£000
<b>9. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS</b>		
Profit / (loss) attributable to shareholders	12	(17)
Opening shareholders' funds	12	29
Closing shareholders' funds	<u>24</u>	<u>12</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 in-corporated in Great Britain. The Group accounts of Interserve Plc are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ. This is the only level in which the results of company are consolidated.

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.