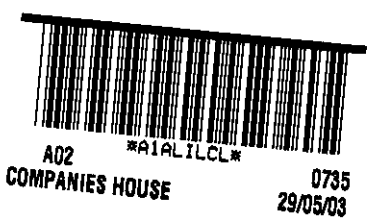
Registered Company Number 252221

INTERSERVE HOLDINGS PLC

31 December 2002



REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

ACTIVITY

The principal activity of the company is that of a holding company. This activity is expected to continue for the foreseeable future.

RESULTS

The results of the company are as set out in the accounts on page 4. The directors propose a final dividend for the year ended 31 December 2002 of £3,539,000 (2001: £3,168,000). An interim dividend of £2,106,000 was paid (2001: £392,000).

DIRECTORS

The directors who served throughout the year, except as noted, are set out below:

M C Bottjer
A R Hannah
M S Lee
G J Wentzell (resigned 30 June 2002)

In accordance with the Articles of Association, Mr M C Bottjer retires by rotation at the next Annual General Meeting and, being eligible, offers himself for re-election.

None of the directors had any interests, beneficial or non beneficial, in the share capital of the company or had a material interest during the year in any significant contract with the company or any subsidiary (2001: £nil).

The directors are also directors of the ultimate parent undertaking, Interserve Plc and their interests in the share capital of that company are disclosed in the accounts of that company.

AUDITORS

A resolution will be proposed at the Annual General Meeting to reappoint Deloitte & Touche as auditors to the company and to authorise the directors to fix their remuneration.

Interserve House
Ruscombe Park
Twyford
Reading
Berkshire
RG10 9JU

19 May 2003

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

T. Bradbury

T BRADBURY
Secretary

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 financial statements, the directors of the company 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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 INTERSERVE HOLDINGS PLC

We have audited the financial statements of Interserve Holdings Plc for the year ended 31 December 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 14. 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

DELOITTE & TOUCHE
Chartered Accountants and Registered Auditors
London

19 May 2003

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002 £000	2001 £000
Administrative expenses	2	-	(1)
Income from fixed asset investments	3	7,935	6,410
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,935	6,409
Tax on profit on ordinary activities	4	(437)	(1,081)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		7,498	5,328
Dividends paid or proposed	5	(5,645)	(3,560)
RETAINED PROFIT FOR THE YEAR	11	1,853	1,768

All activities are derived from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Note	2002 £000	2001 £000
Total recognised gains in the year		7,498	5,328
Unrealised gain on sale of associated undertakings	6	5,302	-
Total gains recognised since last annual report		12,800	5,328

BALANCE SHEET AT 31 DECEMBER 2002

	Note	2002		2001	
		£000	£000	£000	£000
FIXED ASSETS					
Investments	6		31,655		31,180
CURRENT ASSETS					
Debtors	7	5,563		6,471	
CREDITORS: amounts falling due within one year	8	(23,412)		(31,000)	
NET CURRENT LIABILITIES			(17,849)		(24,529)
NET ASSETS			13,806		6,651
CAPITAL AND RESERVES					
Called up share capital	9		3,940		3,940
Share premium account	10		324		324
Profit and loss account	11		9,542		2,387
Equity shareholders' funds			13,806		6,651

These financial statements were approved by the Board of Directors on 19 May 2003.

Signed on behalf of the Board of Directors.

M S Lee
Director

19 May **2003**

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2002

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.

a) **CONVENTION**

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

b) **FIXED ASSET INVESTMENTS**

Investments and loans to subsidiary and associated undertakings are stated at cost less provision for any impairment in value.

c) **DEFERRED TAXATION**

FRS 19 "Deferred tax" was adopted for the first time in the year. There is no impact on the profit and loss account or balance sheet for the current or preceding financial year.

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 or 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.

d) **FOREIGN CURRENCY**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit for the year.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The company had no employees during the current or preceding year other than the directors. The directors of the company did not receive any remuneration for their services to the company during the year (2001: £nil).

The audit fee for the company in the current and preceding financial year was borne by the ultimate parent company.

3. INCOME FROM INVESTMENTS

	2002 £000	2002 £000
Dividends from subsidiary and associated undertakings	7,935	6,410

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2002 (continued)

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £000	2001 £000
Current UK corporation tax on profit for the year at 30% (2001: 30%)	(609)	(1,031)
Overseas tax	-	(30)
Adjustment in respect of prior years	172	(20)
	(437)	(1,081)
Factors affecting the tax charge in the year		
Profit before tax	7,935	6,409
Tax on profit at standard rate of 30%	(2,380)	(1,923)
Non-taxable dividend income	1,510	-
Overseas tax charged at lower rate than UK standard rate	261	862
Adjustment in respect of prior years	172	(20)
	(437)	(1,081)

5. DIVIDENDS

	2002 £000	2001 £000
Interim dividend paid at 13.36p per share (2001: 2.487p)	2,106	392
Proposed final dividend at 22.45p per share (2001: 20.10p)	3,539	3,168
	5,645	3,560

6. INVESTMENTS

	2002 £000	2001 £000
Associated undertakings:		
Shares at cost less provisions	3,630	3,645
Loans less provisions	363	5,190
Subsidiary undertakings:		
Shares at cost	27,662	22,345
	31,655	31,180

	Associated Undertakings		Subsidiary Undertakings
	Shares £000	Loans £000	Shares £000
Cost and net book value			
At 1 January 2002	3,645	5,190	22,345
Disposals	(15)	(4,785)	-
Additions and advances	-	-	5,317
At 31 December 2002	3,630	363	27,662

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2002 (continued)

6. INVESTMENT IN ASSOCIATED AND SUBSIDIARY UNDERTAKINGS (continued)

The company transferred its investments in two PFI SPV companies in the year to another group company, Interserve Investments plc in exchange for shares in that company. This gave rise to an unrealised gain on disposal of £5,302,000.

The principal subsidiary and associated undertakings are set out below. None of the shares relate to a listed investment. Unless otherwise indicated the subsidiary undertakings are wholly owned and incorporated in Great Britain. Shareholdings in companies marked * are indirectly held.

Tilbury Douglas Projects Ltd – property development
Interserve Industrial Services Ltd* - industrial support services
Westpile Ltd* - piling and foundation
Rapid Metal Developments (Australia) Pty. Ltd* (incorporated in Australia) - equipment hire and sales
RMD Kwikform Ireland Ltd (incorporated in Ireland) – equipment hire and sales
Rapid Metal Developments (NZ) Ltd (incorporated in New Zealand) – equipment hire and sales
Rapid Metal Developments (UAE) LLC* (49%) (incorporated in the Emirate of Sharjah) – equipment hire and sales
RMD Sweden AB (incorporated in Sweden) – equipment hire and sales
Khansaheb Civil Engineering LLC (45%) (incorporated in Emirate of Dubai) - civil engineering and building
RMD Kwikform Korea Co, Ltd (incorporated in Korea) – equipment hire and sales
RMD (Thailand) Ltd (10%) (incorporated in Thailand) – equipment hire and sales
RMD Kwikform (Taiwan) Ltd (incorporated in Taiwan) – equipment hire and sales
RMD Kwikform Chile SA (incorporated in Chile) – equipment hire and sales
RMD Kwikform (Singapore) Pte Ltd (incorporated in Singapore) – equipment hire and sales
Douglas OHI LLC* (33%) (incorporated in Sultinate of Oman) - civil engineering and building

In accordance with the provisions of Section 228 of the Companies Act 1985 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 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.

In the opinion of the directors the aggregate value of the shares in and amounts owing from subsidiary undertakings is not less than the amounts at which they are stated in the balance sheet.

7. DEBTORS

	2002 £000	2001 £000
Amount owed by subsidiary undertaking	1,629	1,182
Dividends receivable	3,934	5,289
	5,563	6,471

8. CREDITORS: amounts falling due within one year

	2002 £000	2001 £000
Amount owed to other group undertakings	18,053	19,429
Other creditors	38	36
Corporation tax	1,387	1,275
Dividends proposed	3,934	10,260
	23,412	31,000

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2002 (continued)

9. CALLED UP SHARE CAPITAL

	2002 £000	2001 £000
Authorised:		
20,000,000 ordinary shares of 25p each	5,000	5,000
Called up, allotted and fully paid:		
15,761,018 ordinary shares of 25p each	3,940	3,940

10. SHARE PREMIUM ACCOUNT

	2002 £000	2001 £000
1 January 2002 and 31 December 2002	324	324

11. PROFIT AND LOSS ACCOUNT

	£000
1 January 2002	2,387
Profit retained for the year	1,853
Unrealised gain on sale of associated undertakings (see note 6)	5,302
31 December 2002	9,542

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2002 £000	2001 £000
Profit attributable to shareholders	7,498	5,328
Unrealised gain on sale of associated undertakings (see note 6)	5,302	-
Dividends	(5,645)	(3,560)
Retained profit for the year	7,155	1,768
Opening shareholder's funds	6,651	4,883
Closing shareholder's funds	13,806	6,651

13. CONTINGENT LIABILITIES

The company has given guarantees covering banking facilities made available to the holding company and fellow subsidiary undertakings. At 31 December 2002 these amounted to £47,274,000 (2001: £64,230,000) relating to certain subsidiary undertakings.

14. ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

The company's immediate and ultimate parent company and controlling party, and parent company of the largest and smallest group which includes the company and for which group financial statements are prepared, is Interserve Plc, a company incorporated in Great Britain. Copies of the group financial statements of Interserve Plc are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The company has taken advantage of the exemption contained in Financial Reporting Standard 8 "Related Party Disclosures" not to report transactions with other group companies.