

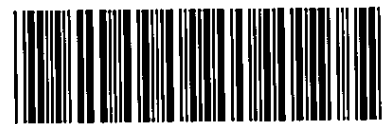
INTERSERVE ENVIRONMENTAL SERVICES LIMITED

Report and Financial Statements

31 December 2006

Company Registration No. 3306668

WEDNESDAY



LWY2SU9C

L10

31/10/2007

6

COMPANIES HOUSE

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

CONTENTS

	<u>Page</u>
Officers and professional advisors	1
Report of the directors	2 - 5
Statement of directors' responsibilities	6
Independent auditors' report	7 - 8
Profit and loss account	9
Statement of recognised gains and losses	9
Balance sheet	10
Notes to the financial statements	11 - 15

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

The directors who served during the year since 1 January 2006 and subsequently, except where noted are set out below

Mr S B Hagerty	Resigned as director 20 July 2006
Mr A Corless	Resigned as director 8 March 2007
Mr T P O'Cleirigh	Resigned as director 8 March 2007
Mr J A Collings	Resigned as director 6 February 2007
Mr A W Oliver	Resigned as director 16 March 2006
Mr K Heilbron	Resigned as director 8 March 2007
Mr I Woods	Resigned as director 27 April 2007
Mr M A Scaife	Resigned as director 8 March 2007
Mr BA Melizan	Appointed as director 22 August 2006, resigned 22 January 2007
Mr ST Ashdown	Appointed as director 22 August 2006, resigned 22 January 2007
Mr T Dolan	Appointed as director 22 January 2007
Mr B Spencer	Appointed as director 22 January 2007

COMPANY SECRETARY

The Company secretaries who served during the year since 1 January 2006 are set out below

Mr A Corless	Resigned as Company secretary 7 March 2007
Mr RJ Butler	Appointed as Company secretary 22 August 2006, resigned 3 October 2006
Mr R Phillips	Appointed as Company Secretary 5 October 2006

REGISTERED OFFICE

Capital Tower
91 Waterloo Road
London
SE1 8RT

AUDITORS

Deloitte & Touche LLP
London, UK

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 December 2006

PRINCIPAL ACTIVITY, TRADING REVIEW AND FUTURE DEVELOPMENTS

The Company commenced trading on 1st July 2004. It trades specifically in the surveying, record management and removal of asbestos materials.

The Company was organisationally restructured into the Interserve Facility Services division on 20 July 2006 which subsequently led to the discovery of the misstatement of accounting balances which are fully detailed in note 16 to these financial statements.

Following the discovery of these misstatements the Company made wide ranging changes to the management team. These changes involved the secondment of a number of senior managers from across the other Group companies of Interserve Plc, and subsequently the recruitment of external personnel to provide leadership, to enhance operational, commercial and financial control measures and to effect the assimilation of the business into the established review and reporting systems of the Facility Services division.

Management believes that the market remains attractive particularly for the broad service range that the company has to offer. With a more efficient organisational structure and improved business development focus the directors believe that the Company has improved its future prospects considerably.

As shown in the company's profit and loss account on page 9 the turnover was £5,557,555 (2005 Restated £5,179,320) and profit before tax £352,959 (2005 Restated £474,183).

On 1 April 2007 the company was sold by its parent company Interserve Industrial Services Ltd to Interserve Specialist Services (Holdings) Ltd, a fellow Group company.

Interserve Plc Group manages its operations on a divisional basis. 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 £nil (2005 restated £nil). No final dividend was proposed (2005 £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The directors have reviewed the financial risk management objectives and policies of the Company.

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet the only financial risks the directors consider relevant to this Company are credit risk, liquidity risk and finance and foreign exchange 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.

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

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.

FINANCE AND FOREIGN EXCHANGE RISK

The Company is financed by interest free loans and/ or interest bearing loans from Group undertakings and a bank overdraft that is subject to a Group set-off facility. In addition, the ultimate parent company manages both interest rate risk and exchange rate risk through the Group treasury department using various methods including swaps and hedges and these are disclosed in the Group accounts.

NON FINANCIAL RISK

Employees of the Company come into contact with asbestos materials but the exposure and handling of any such contact is carried out under the strict guidelines of Group Corporate Governance which reflect the up to date health and safety regulations and guidance to minimise the risk to any employee of the Company. The Industry is also heavily legislated and the Company is subject to regular compliance audits.

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.

DIRECTORS

None of the directors has any beneficial interest in the shares of the Company.

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.

The interests of the directors at 31 December 2006, who are not also directors of Interserve Plc, in the capital of the ultimate parent undertakings are as stated below.

		Performance Share Plan			
	1 Jan 2006	Awarded during year	Lapsed in year	31 Dec 2006	Vesting date
A Corless	-	19,364	19,364	-	21 06 09
T O'Cleirgh	-	9,598	9,598	-	21 06 09
K Heilbron	-	12,907	12,907	-	21 06 09
J A Collings	-	12,241	-	12,241	21 06 09
M Scarfe	-	14,103	14,103	-	21 06 09
BA Melizan	-	44,236	-	44,236	21 06 09
ST Ashdown	-	14,745	-	14,745	21 06 09
BW Spencer	-	17,342	-	17,342	21 06 09

Awards under the Performance Plan are made for nil consideration and will vest in part or in full upon achievement of certain performance conditions in EPS growth and Group ranking in sector.

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

	Ordinary shares of 10p each		Options over ordinary shares of 10p each					Exercise Price	Period of exercise	
	1 Jan 2006	31 Dec 2006	1 Jan 2006	Granted in year	Lapsed in year	31 Dec 2006				
A Corless	-	-	30,384	-	30,384	-	359 33p	14 03 08	13 03 15	
			28,000	-	28,000	-	253 25p	26 05 07	25 05 14	
			5,529	-	5,529	-	542 50p	26 03 04	25 03 11	
			8,000	-	8,000	-	566 50p	19 03 05	18 03 09	
			9,471	-	9,471	-	542 50p	26 03 04	25 03 08	
T O'Cleirigh	-	-	17,499	-	17,499	-	359 33p	14 03 08	13 03 15	
			8,670	-	8,670	-	346 00p	14 06 03	13 06 10	
			10,000	-	10,000	-	566 50p	19 03 05	18 03 09	
			15,000	-	15,000	-	542 50p	26 03 04	25 03 08	
			1,330	-	1,330	-	346 00p	14 06 03	13 06 07	
K Heilbron	-	-	26,142	-	26,142	-	359 33p	14 03 08	13 03 15	
			28,000	-	28,000	-	253 25p	26 05 07	25 05 14	
			5,295	-	5,295	-	566 50p	19 03 05	18 03 12	
			4,705	-	4,705	-	566 50p	19 03 05	18 03 09	
I Woods	-	-	28,000	-	-	28,000	253 25p	26 05 07	25 05 14	
			5,295	-	-	5,295	566 50p	19 03 05	18 03 12	
			4,705	-	-	4,705	566 50p	19 03 05	18 03 09	
JA Collings	-	-	24,793	-	-	24,793	359 33p	14 03 08	13 03 15	
			28,000	-	-	28,000	253 25p	26 05 07	25 05 14	
			5,110	-	-	5,110	542 50p	26 03 04	25 03 11	
			10,000	-	-	10,000	566 50p	19 03 05	18 03 09	
			16,890	-	-	16,890	542 50p	26 03 04	25 03 08	
A Oliver	-	-	28,091	-	28,091	-	359 33p	14 03 08	13 03 15	
			28,000	-	28,000	-	253 25p	26 05 07	25 05 14	
			8,670	-	8,670	-	346 00p	14 06 03	13 06 10	
			10,000	-	10,000	-	566 50p	19 03 05	18 03 09	
			9,330	-	9,330	-	346 00p	14 06 03	13 06 07	
M Scaife	-	-	26,142	-	26,142	-	359 33p	14 03 08	13 03 15	
			11,846	-	11,846	-	253 25p	26 05 07	25 05 14	
			16,154	-	16,154	-	253 25p	26 05 07	25 05 14	
BA Melizan	-	-	75,140	-	-	75,140	359 33p	14 03 08	13 03 15	
			63,154	-	-	63,154	253 25p	26 05 07	25 05 14	
			11,846	-	-	11,846	253 25p	26 05 07	25 05 14	
BW Spencer	-	-	34,787	-	-	34,787	359 33p	14 03 08	13 03 15	
			28,000	-	-	28,000	253 25p	26 05 07	25 05 14	
			5,295	-	-	5,295	566 50p	19 03 05	18 03 12	
			1,705	-	-	1,705	566 50p	19 03 05	18 03 09	

No options were exercised during the year

The mid-market price of the ordinary shares in Interserve Plc at 31 December 2006 was 401 0 pence (2005 362 0 pence) The range of closing prices during the year was 429 0 pence to 260 0 pence The Directors have no other interests in any Group undertaking (2005 £nil)

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

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 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

No charitable donations were made in the year (2005 £nil) No political donations were made in the year (2005 £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 2006, calculated in accordance with the requirements of the Companies Act 1985, were 76 days (2005 76 days) This represents the ratio, expressed in days between the amounts invoiced to the Company in the year by its supplies and the amounts due, at the year end to trade creditors falling due for payment within one year

DISCLOSURE OF INFORMATION TO AUDITORS

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 auditors are 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 auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

AUDITORS

A resolution to re-appoint Deloitte & Touche 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



Secretary

30/10/07

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss 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 estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 that 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 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 ENVIRONMENTAL SERVICES LIMITED

We have audited the financial statements of Interserve Environmental Services Ltd for the year ended 31 December 2006 which comprises the profit and loss account, statement of total recognised gains and losses, the balance sheet and the related notes 1 to 17. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you whether in our opinion the information given in the Directors' Report is consistent with financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

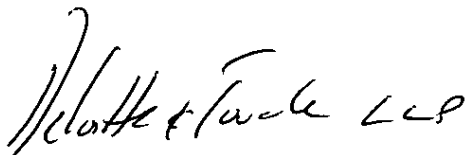
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
INTERSERVE ENVIRONMENTAL SERVICES LIMITED (CONTINUED)**

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, UK

30 October 2007

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2006

		2006	2005
	Note	£	Restated Note 16 £
TURNOVER	2	5,557,555	5,179,320
Cost of Sales		(4,499,967)	(4,154,582)
		—————	—————
GROSS PROFIT		1,057,588	1,024,738
Administrative Expenses		<u>(704,629)</u>	<u>(550,555)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	352,959	474,183
Tax charge on profit on ordinary activities	6	<u>(106,500)</u>	<u>(142,976)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>246,459</u>	<u>331,207</u>

All profits arise from continuing operations

The restatement of 2005 relates to the accounting misstatements identified in August 2006 but relate to the period January to December 2005, see note 16

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the year ended 31 December 2006

	2006	2005
	£	Restated Note 16 £
PROFIT FOR THE FINANCIAL YEAR	246,459	<u>331,207</u>
TOTAL RECOGNISED PROFITS RELATING TO THE YEAR	<u>246,459</u>	<u>331,207</u>
PRIOR YEAR ADJUSTMENT (Note 16)	<u>(194,820)</u>	
TOTAL PROFIT RECOGNISED SINCE THE LAST ANNUAL REPORT	<u><u>51,639</u></u>	

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

BALANCE SHEET
As at 31 December 2006

		2006		2005
	Note	£	£	Restated £
CURRENT ASSETS				
Debtors	7	<u>1,044,130</u>	<u>1,052,012</u>	
CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR				
	8	<u>(501,902)</u>	<u>(756,244)</u>	
NET ASSETS		<u><u>542,228</u></u>		<u><u>295,769</u></u>
CAPITAL AND RESERVES				
Called up share capital	9		1	1
Profit and loss account	10	<u>542,227</u>		<u>295,768</u>
SHAREHOLDERS' FUNDS				
ALL EQUITY	11	<u><u>542,228</u></u>		<u><u>295,769</u></u>

The financial statements were approved by the Board of Directors on **30/10** 2007

Signed on behalf of the Board of Directors



Director

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below, they have been applied consistently throughout the year and the preceding year.

a) Convention

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

b) Turnover

Turnover comprises the value of work executed in respect of contracts excluding Value Added Tax.

c) 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.

d) 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 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.

e) 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.

f) Pensions

The Company operates two principal pension schemes for the benefit of permanent members of staff: the Interserve Pension Scheme which is of the defined benefit type and the Interserve Retirement Plan which is of the defined contribution type. The Company also set up a new defined contribution section of the Interserve Pension Scheme with effect from 1 November 2002. Actuarial valuations are carried out every three years.

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

1. ACCOUNTING POLICIES (CONTINUED)

f) Pensions

For the purposes of FRS 17 Retirement Benefits, the Company is unable to identify its share of the underlying assets and liabilities in the main Group Scheme, the Interserve Pension 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 33 to the report and accounts of Interserve Plc for the year to 31 December 2006 set out details of the IAS 19 net pension liability of £111.4 million (2005 £132.6 million).

For defined contribution schemes, the amount recognised in the profit and loss account is equal to the contributions payable to the schemes during the year.

2. TURNOVER

The Company's turnover and profit arise principally within the UK and are derived from its activities of the surveying, record management and removal of asbestos materials.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006	2005
	£	£
This is stated after charging		
Group recharges - Hire of plant and machinery	211,624	119,453
Group recharges - Operating lease rentals	50,727	17,774
Remuneration payable to auditors		
Audit fees	<u>3,000</u>	<u>3,000</u>

Amounts payable to Deloitte & Touche LLP by the Company in respect of non-audit services were £nil (2005 £nil)

4. EMPLOYEES

	2006	2005
	Number	Number
The average number of persons employed by the Company (including directors) within each category of Person was		
Production Staff	75	67
Sales Staff	6	6
Administration Staff	<u>10</u>	<u>9</u>
	<u>91</u>	<u>82</u>
The costs incurred in respect of these employees were	£	£
Wages and salaries	2,965,046	2,558,321
Social security costs	282,839	234,115
Other pension costs	<u>37,784</u>	<u>42,154</u>
	<u>3,285,669</u>	<u>2,834,590</u>

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

5. DIRECTORS

Emoluments, including pension contributions, of directors of the Company are included in the employee costs of the two Group companies Interserve Industrial Services Ltd and Interserve (Facilities Management) Ltd. It is not practicable to allocate the Director's remuneration to this Company.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 £	2005 Restated £
UK Corporation tax charge at 30% (2005 30%)	<u>106,500</u>	<u>142,976</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2005 30%). 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:

	2006 £	2005 Restated £
Profit on ordinary activities before tax	<u>352,959</u>	<u>474,183</u>
Tax charge on profit on ordinary activities at standard rate	105,888	142,255
Factors affecting charge for the period		
Expenses not deductible for tax purposes	<u>612</u>	<u>721</u>
Total actual amount of current tax charge	<u>106,500</u>	<u>142,976</u>

There is no provided or unprovided deferred tax (2005 £nil)

7. DEBTORS

	2006 £	2005 Restated £
Amounts recoverable within one year		
Trade debtors	384,391	798,691
Amounts recoverable on contracts	161,538	252,040
Amounts owed by Group undertakings	467,001	1
Prepayments and accrued income	-	1,280
Corporation tax	<u>31,200</u>	<u>-</u>
	<u>1,044,130</u>	<u>1,052,012</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Amounts owed to Group undertakings	349,097	265,459
Corporation tax	-	116,885
Other taxes and social security	42,717	308,492
Accruals and deferred income	<u>110,088</u>	<u>65,408</u>
	<u>501,902</u>	<u>756,244</u>

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

9. CALLED UP SHARE CAPITAL

	2006 £	2005 £
Authorised 1,000 ordinary shares at £1 each	<u>1,000</u>	<u>1,000</u>
Allotted and called up 1 ordinary shares at £1 each	<u>1</u>	<u>1</u>

10. RESERVES

	Profit & Loss Account Restated £
At 1 January 2006 as previously stated	490,588
Prior year adjustment (note 16)	<u>(194,820)</u>
At 1 January 2006 as restated	295,768
Profit for the financial year	<u>246,459</u>
At 31 December 2006	<u>542,227</u>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 Restated £
Profit/(loss) attributable to members of the Company	<u>246,459</u>	<u>(35,438)</u>
Opening shareholders' funds previously stated	295,769	526,027
Prior year adjustment	-	<u>(194,820)</u>
Opening shareholders' funds as restated	<u>295,769</u>	<u>331,207</u>
Closing shareholders' funds	<u>542,228</u>	<u>295,769</u>

12. CONTINGENT LIABILITIES

At both 31 December 2006 and 31 December 2005 there were contingent liabilities in respect of guarantees given in the ordinary course of business

13. 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 not to do so as the ultimate parent undertaking, Interserve Plc, has incurred a consolidated cash flow statement in the group accounts

14. ULTIMATE PARENT COMPANY

The Company's immediate parent undertaking is Interserve Specialist Services (Holdings) Ltd and the ultimate parent undertaking, and ultimate controlling party, is Interserve Plc, which is incorporated in Great Britain. 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

INTERSERVE ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

15. FINANCIAL INSTRUMENTS

INTEREST RATE AND FOREIGN CURRENCY RISK

Company borrowings are principally denominated in sterling, these borrowings are on floating rates. All material foreign currency trading exposures are fully hedged.

16. ACCOUNTING MISSTATEMENT

Following the organisational restructuring and Board change announced on 20 July 2006, Interserve Environmental Services Ltd was integrated into the Interserve Facilities Services division of Interserve Plc, the subsequent programme of internal reviews brought to light information relating to the misstatement of accounting balances within Interserve Environmental Services Ltd.

The impact of correcting these cumulative misstatements is to reduce net assets (primarily amounts recoverable on contracts and debtor balances) by £194,820 on a post-tax basis as at 31 December 2005. As a result the accounts for the year ended 31 December 2005 have been restated as summarised in the table below. The current cash position of the Company is unaffected.

	Prior Year Adjustment Year ended 31 December 2005 £
IMPACT ON PROFIT AND LOSS ACCOUNT	
Decrease in turnover	(278,520)
Decrease in operating profit	(278,520)
Decrease in tax	83,700
Decrease in profit for the period	<u>(194,820)</u>
	31 December 2005 £
IMPACT ON BALANCE SHEET	
Decrease in trade and other receivables – amounts recoverable on contracts	(278,520)
Trade and other payables – tax	83,700
Decrease in equity	<u>(194,820)</u>

17. POST BALANCE SHEET EVENT

On 1 April 2007 the company was sold by its parent company Interserve Industrial Services Ltd to Interserve Specialist Services (Holdings) Ltd, a fellow Group company.

In March 2007 the UK Government announced that they would introduce legislation that would reduce the corporation tax rate to 28% with effect from 1 April 2008. This legislation was substantively enacted on 26 June 2007. In future periods the effective tax rate will decrease accordingly.