

Company Registration No. 703568

CLIMATE SERVICES LIMITED

Report and Financial Statements

31 December 2000



CLIMATE SERVICES LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited accounts for the year ended 31st December 2000.

ACTIVITIES

The principal activity of the Company continues to be the maintenance of refrigeration equipment, specialising in chillers and other air conditioning equipment.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

A satisfactory result for the year after absorbing the start-up costs of the new Branch at Strood in Kent and sharply increased vehicle operating costs. The new Branch is making good progress and the strategic drive to increase market share in the South East continues.

RESULTS

The results of the company are as set out in the accounts on pages 5 to 12. The Company has paid interim dividends of £61,000 (1999 - £94,600) to its parent company. The directors recommend a final dividend of £185,000 (1999 - £273,682). After dividends, profits of £201,000 (1999 - £301,000) have been transferred to reserves.

DIRECTORS

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

- GGR Ludlow (resigned 17/02/00)
- DA Fox
- D Collin
- PA Bibby
- BA Gardner

In accordance with the Articles of Association directors are not required to retire by rotation.

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

The interests of the directors at 31st December 2000 in the capital of the ultimate parent undertakings are as stated as follows:

	<u>Shares of</u> <u>10p each</u>		<u>Options over Shares of</u> <u>10p each</u>		<u>Exercise</u> <u>Price p</u>	<u>Period of</u> <u>Exercise</u>
	1.1.00	31.12.00	1.1.00	31.12.00		
<u>Tilbury Douglas plc</u>						
DA Fox	45,067	45,067	10,850	10,850	212.00p	07.10.01- 06.10.05
			14,150	14,150	212.00p	07.10.01- 06.10.08
D Collin	23,132	23,132				
PA Bibby	-	-				
BA Gardner	153	153				
	<u>Loan Notes of £1 each</u>					
DA Fox	110,604	71,704				
D Collin	927	-				

The market price of Tilbury Douglas Plc shares at 31st December 2000 was 495p.
The range of closing prices during the year was 252p to 510p.

The directors have no other interest in any other group undertaking (1999 - none).

CLIMATE SERVICES LIMITED

REPORT OF THE DIRECTORS (continued)

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 2000, calculated in accordance with the requirements of the Companies Act 1985, were 47 days (1999 - 41 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 year end, to trade creditors falling due for payment within one year.

AUDITORS

Re-appointing Resolutions 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.

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



D. COLLIN
Secretary
11th May 2001

Climate House
Highlands Road
Shirley
Solihull
B90 4NL

CLIMATE SERVICES LIMITED

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.

CLIMATE SERVICES LIMITED

AUDITORS' REPORT TO THE MEMBERS OF CLIMATE SERVICES LIMITED

We have audited the financial statements on pages 5 to 12 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 circumstances of the company 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 affairs of the company as at 31 December 2000 and of its profit for the year ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and Registered Auditors

15 May 2001

Deloitte & Touche
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN

CLIMATE SERVICES LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2000**

	NOTE	2000 £000	1999 £000
TURNOVER	2	9,396	9,240
Cost of sales		<u>(6,014)</u>	<u>(5,696)</u>
GROSS PROFIT		3,382	3,544
Administration Expenses		<u>(2,755)</u>	<u>(2,602)</u>
		627	942
Other Operating Income	3	6	-
OPERATING PROFIT	4	<u>633</u>	<u>942</u>
Interest receivable	7	24	36
		<u>657</u>	<u>978</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		657	978
Tax on profit on ordinary activities	8	<u>(210)</u>	<u>(309)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS		447	669
Equity dividends	9	<u>(246)</u>	<u>(368)</u>
RETAINED PROFIT FOR THE YEAR TRANSFERRED TO RESERVES	17	<u>201</u>	<u>301</u>

All activities are continuing as defined under FRS3: Reporting Financial Performance.

A statement of Total Recognised Gains and Losses is not presented as there have been no recognised gains or losses other than the profit for the year and the preceeding year set out above.

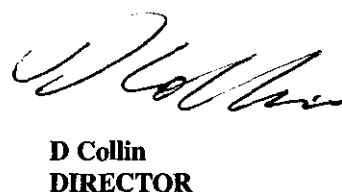
CLIMATE SERVICES LIMITED

BALANCE SHEET AS AT 31ST DECEMBER 2000

	NOTE	£000	2000 £000	£000	1999 £000
FIXED ASSETS					
Tangible assets	10		96		148
CURRENT ASSETS					
Stocks in progress	12	444		485	
Debtors	13	2,153		2,501	
Cash at bank and in hand		216		458	
		<u>2,813</u>		<u>3,444</u>	
CREDITORS FALLING DUE WITHIN ONE YEAR					
Trade creditors		671		641	
Sundry creditors	14	<u>1,017</u>		<u>1,904</u>	
		<u>1,688</u>		<u>2,545</u>	
NET CURRENT ASSETS			<u>1,125</u>		<u>899</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			1,221		1,047
PROVISIONS FOR LIABILITIES AND CHARGES	15		(56)		(83)
NET ASSETS			<u>1,165</u>		<u>964</u>
CAPITAL AND RESERVES					
Called up share capital	16		50		50
Profit and loss account	17		1,115		914
SHAREHOLDERS' FUNDS					
Equity Interest			<u>1,165</u>		<u>964</u>

These financial statements were approved by the Board of Directors on 11th May 2001 Signed on behalf of the Board of Directors.


D A Fox
DIRECTOR
 11th May 2001


D Collin
DIRECTOR

1. ACCOUNTING POLICIES

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

CONVENTION

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

TURNOVER

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

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is provided on a straight line basis calculated to write down their cost over their estimated useful economic lives at the following annual rates:

Furniture and Equipment	-	20% - 33 1/3%
Motor Vehicles	-	25%

LEASED ASSETS

Fixed assets held under finance leases are capitalised and depreciated over their expected useful lives. The finance charges are allocated over the primary period of the lease in proportion to the capital element outstanding.

The costs of operating leases are charged to profit and loss account as they accrue.

STOCKS

Stock and work in progress is valued at the lower of cost and net realisable value.

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.

PENSIONS

The Company participates in the Tilbury Douglas Pension Scheme which is of the defined benefit type and covers all employees who are permanent members of staff who have elected to join. Actuarial valuations are carried out every three years by independent qualified actuaries. The surplus in the Tilbury Douglas Pension Scheme, after offsetting regular pension costs and allowing for accruing interest, will, in accordance with SSAP24, Accounting for Pension Costs, be released to the profit and loss account of Interserve Plc (formerly Tilbury Douglas Plc) over the average remaining service life of employees. No charge will be made to the profit and loss account of the Company until the surplus has been extinguished.

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.

CLIMATE SERVICES LIMITED

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2000 (continued)

2. SEGMENTAL ANALYSIS

The Company's turnover arises mainly in the UK from its activities in the service and maintenance of refrigeration and air conditioning equipment. Overseas turnover in the form of exports is immaterial.

3. OTHER OPERATING INCOME

	2000	1999
	£000	£000
Rents Receivable	6	-

4. OPERATING PROFIT

	2000	1999
	£000	£000
Operating profit is arrived at after charging:		
Depreciation		
On owned assets	70	70
Rentals under operating leases		
Hire of plant and machinery	423	361
Other lease rentals	34	40
Remuneration payable to auditors		
Audit fees	13	8

5. EMPLOYEES

	2000	1999
	Number	Number
The average number employed by the company (including directors) within each category of persons was:		
Production	105	94
Administration	42	41
	147	135

	2000	1999
	£000	£000
The costs incurred in respect of these employees (including directors) were:		
Wages and salaries	3,672	3,212
Social Security costs	337	305
Other pension costs	-	-
	4,009	3,517

Pension Costs

The Tilbury Douglas Pension Scheme is a defined benefit funded scheme. The last valuation of the Scheme was carried out at the 31st March 2000. The results of this valuation and details of the main actuarial assumptions adopted for this purpose are disclosed in the accounts of Interserve Plc, the ultimate parent undertaking. As stated in note 1 (above) there is no pension credit or cost for the year.

CLIMATE SERVICES LIMITED

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2000 (continued)

6. DIRECTORS

	2000	1999
	£000	£000
Aggregate emoluments	239	187
Emoluments of highest paid director	104	113
Deferred Pension at 31 December of highest paid director	40	38
Accrued lump sum at 31 December for highest paid director	100	94
	Number	Number
Number of directors who exercised share options in ultimate holding company	-	-
Pension Contributions	Number	Number
Number of directors to whom retirement benefits are accruing under defined benefit schemes	3	3

7. INTEREST RECEIVABLE

	2000	1999
	£000	£000
Group interest	24	36
	24	36

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000	1999
	£000	£000
UK Corporation Tax at 30% (1999: 30.25%)	214	309
Deferred taxation	(4)	-
	210	309

9. DIVIDENDS

	2000	1999
	£000	£000
On ordinary shares of £1 each		
Interims at £1.22 per share (1999 - £1.89)	61	95
Proposed final at £3.70 per share (1999 - £5.47)	185	273
	246	368

CLIMATE SERVICES LIMITED

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2000 (continued)

10. TANGIBLE FIXED ASSETS

	Motor Vehicles £000	Furniture and Equipment £000	TOTAL £000
COST			
1 st January 2000	190	219	409
Additions at cost	-	21	21
Disposals	(23)	(25)	(48)
31st December 2000	167	215	382
DEPRECIATION			
1 st January 2000	124	137	261
Provided in year	27	43	70
Disposals	(20)	(25)	(45)
31st December 2000	131	155	286
NET BOOK VALUE			
31st December 2000			
Owned assets	36	60	96
31st December 1999			
Owned assets	66	82	148

11. OPERATING LEASES

At 31st December 2000 the Company had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	2000 £000	1999 £000	2000 £000	1999 £000
Commitments expiring:				
within one year	-	5	55	40
in two to five years	29	23	297	267
after five years	1	1	4	3
	30	29	356	310

12. STOCKS

	2000 £000	1999 £000
Goods held for resale	444	485

The replacement cost of stock is not materially different from the amounts stated in the accounts.

Contract work in progress is accounted for in turnover and in accordance with the provisions of Statement of Standard Accounting Practice 9 (Revised) - Stocks and Long-term Contracts, the excess of book value over payments receivable is included in debtors as "Amounts Recoverable on Contracts".

CLIMATE SERVICES LIMITED

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2000 (continued)

13. DEBTORS

	2000	1999
	£000	£000
Amounts recoverable on contracts	627	1,010
Trade debtors	1,293	946
Amounts owed by fellow subsidiary undertakings	159	509
Other debtors	18	6
Prepayments and accrued income	56	30
	<u>2,153</u>	<u>2,501</u>

14. SUNDRY CREDITORS

	2000	1999
	£000	£000
Advance payments	56	239
Amounts owed to fellow subsidiary undertakings	17	9
Other creditors	12	30
Corporation tax	166	236
Other taxation and social security	341	283
Accruals and deferred income	240	834
Dividends	185	273
	<u>1,017</u>	<u>1,904</u>

15. PROVISIONS FOR LIABILITIES AND CHARGES

	2000	1999
	£000	£000
Deferred taxation	(29)	(25)
Provision for warranties on products delivered	49	108
Other Provisions	36	108
	<u>56</u>	<u>83</u>

Deferred taxation – provided and potential

(a) Movement in year	
1st January 2000	(25)
(Credit) for year	(4)
31 st December 2000	<u>(29)</u>

(b) The source of the balance on deferred tax account is as follows:

Accelerated capital allowances	<u>(29)</u>
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Warranties on products delivered

Movement in year	
1st January 2000	108
Charge for year	-
Released in year	<u>(59)</u>
31 st December 2000	<u>49</u>

The provision for warranties is expected to be utilised within the next 12 months.

Other Provisions

Movement in year	
1st January 2000	-
Charge for Year	<u>36</u>
31 st December 2000	<u>36</u>

Other provisions relate to provisions for outstanding commitments on contracts. It is expected that this expenditure will be incurred within the next 12 months.

CLIMATE SERVICES LIMITED**NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2000 (continued)****16. CALLED UP SHARE CAPITAL**

	2000	1999
	£000	£000
Authorised, allotted and fully paid 50,000 (1999- 50,000) ordinary shares of £1 each	<u>50</u>	<u>50</u>

17. PROFIT AND LOSS ACCOUNT

	£000
1 st January 2000	914
Retained profit for the year	201
31 st December 2000	<u>1,115</u>

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2000	1999
	£000	£000
Profit attributable to shareholders	447	669
Dividends	<u>(246)</u>	<u>(368)</u>
Movement in year	201	301
Opening shareholders' funds	964	663
Closing shareholders' funds	<u>1,165</u>	<u>964</u>

19. CONTINGENT LIABILITIES

At 31st December 2000 there were contingent liabilities in respect of guarantees given in the ordinary course of business.

The company has given guarantees covering banking facilities made available to the parent and fellow subsidiary undertakings. At 31st December 2000 there was no contingent liability (1999 - nil).

20. 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, Tilbury Douglas Plc, has included a consolidated cash flow statement in the group accounts.

21. ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

The company's immediate parent undertaking is Climate Equipment Holdings Limited and the ultimate parent undertaking and ultimate controlling party is Interserve Plc (formerly Tilbury Douglas 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 of the Interserve Group which are eliminated in the consolidated financial statements of Interserve Plc.