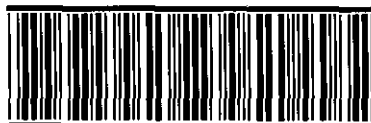


CLIMATE SERVICES LIMITED

Report and Financial Statements

31 December 1998



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COMPANIES HOUSE 26/10/99

COMPANIES HOUSE 16/10/99

CLIMATE SERVICES LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited accounts for the year ended 31st December 1998.

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

The strong order book carry over from 1997 produced a large increase in turnover and significant improvement in profit. Replacement equipment is now a significant part of the business as the green lobby has stimulated users' programmes to change to environmentally acceptable refrigerants. This has helped to consolidate the growth in 1998 and provides opportunity for further improvement in 1999.

RESULTS

The results of the company are as set out in the accounts on pages 6 to 13. The Company has paid interim dividends of £135,000 (1997 - £1,838,373) to its parent company. The directors recommend a final dividend of £135,000 (1997 - nil).

DIRECTORS

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

- GGR Ludlow (appointed 27/08/98)
- C Gateley (appointed 27/08/98)
- D Summerfield (resigned 31/07/98)
- TKPS Stead (appointed 01/04/98) (resigned 16/08/98)
- DA Fox
- D Collin

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 1998 in the capital of the ultimate parent undertakings are as stated as follows:

CLIMATE SERVICES LIMITED

REPORT OF THE DIRECTORS (continued)

	<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>
	1.1.98*	31.12.98	1.1.98*	31.12.98		
<u>Tilbury Douglas plc</u>						
GGR Ludlow	-	-	1,957	1,957	199.20p	01.01.01- 30.06.01
			38,825	38,825	268.40p	18.06.00- 17.06.04
			11,175	11,175	268.40p	18.06.00- 17.06.07
			-	40,000	212.00p	07.10.01- 06.10.05
C Gateley	-	-	-	850	212.00p	07.10.01- 06.10.05
			-	14,150	212.00p	07.10.01- 06.10.08
DA Fox	-	45,067	-	10,850	212.00p	07.10.01- 06.10.05
				14,150	212.00p	07.10.01- 06.10.08
D Collin	-	23,132	-	-		
<u>Loan Notes of £1 each</u>						
DA Fox	-	124,804				
D Collin	-	8,027				
<u>How Group Plc</u>						
GGR Ludlow	-	-	-	-		
C Gateley	-	-	-	-		
D A Fox	156,904#	-	15,000#	-	87.00p	16.02.89- 15.02.99
			35,000#	-	68.00p	08.02.90- 07.02.00
			80,000#	-	34.00p	18.07.97- 17.07.04
D Collin	12,500#	-	10,000#	-	87.00p	16.02.89- 15.02.99
			10,000#	-	57.00p	24.05.90- 23.05.00
			25,000#	-	34.00p	18.07.97- 17.07.04
			5,000#	-	59.50p	03.07.00- 02.07.07

* or later date of appointment

On the 16th June 1998 the Recommended Offer("the Offer") for How Group Plc by Tilbury Douglas Plc was declared unconditional in all respects. In each case the Offer was accepted in full in respect of both shares and options.

The market price of Tilbury Douglas Plc shares at 31st December 1998 was 218p.
The range of closing prices during the year was 194p to 306p.

The directors have no other interest in any other group undertaking (1997 - none).

EMPLOYEE INVOLVEMENT

Within the bounds of commercial confidentiality management disseminates information to all levels of staff about matters that affect the 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 group's activities and its performance.

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.

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 1998, calculated in accordance with the requirements of the Companies Act 1985, were 36 days (1997 - 64 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.

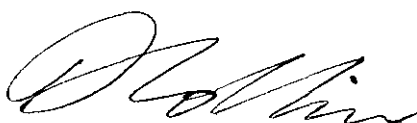
YEAR 2000

The Company continues to review its financial and operating systems in the light of the potential dangers of the "Millenium Bug". Many of the systems have already been modified or replaced in order to minimise such dangers and those areas yet to be completed are planned to have been dealt with well before the end of this year. The Board regularly considers this matter. Any costs related to these changes are not expected to have a significant effect upon Company results.

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

7th May 1999

Climate House
Highlands Road
Shirley
Solihull
B90 4NL

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 6 to 13 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of financial statements. 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 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 1998 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

20 May 1999

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

CLIMATE SERVICES LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1998**

	NOTE	1998 £000	1997 £000
TURNOVER	1	9,422	7,445
Cost of sales		<u>(6,145)</u>	<u>(4,675)</u>
GROSS PROFIT		3,277	2,770
Administration Expenses		<u>(2,660)</u>	<u>(2,432)</u>
OPERATING PROFIT	3	617	338
Interest receivable	6	14	-
Loss on disposal of property		<u>-</u>	<u>(105)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		631	233
Tax on profit on ordinary activities	7	<u>(153)</u>	<u>(110)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS		478	123
Equity dividends	8	<u>(270)</u>	<u>(1,838)</u>
RETAINED PROFIT/(LOSS) FOR THE YEAR TRANSFERRED TO RESERVES	16	<u>208</u>	<u>(1,715)</u>

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

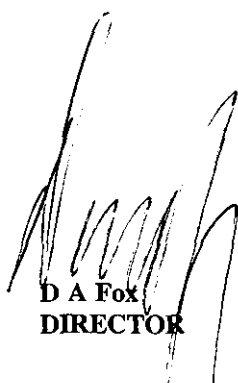
A statement of Total Recognised Gains and Losses is not presented as there have been no recognised gains or losses other than the profit for the year and the preceeding year set out above.

CLIMATE SERVICES LIMITED

BALANCE SHEET AT 31ST DECEMBER 1998

	NOTE	1998 £000	1997 £000
FIXED ASSETS			
Tangible assets	9	138	124
CURRENT ASSETS			
Stocks and work in progress	11	379	478
Debtors	12	1,829	1,830
Cash at bank and in hand		595	84
		<u>2,803</u>	<u>2,392</u>
CREDITORS FALLING DUE WITHIN ONE YEAR			
Trade creditors		609	802
Sundry creditors	13	1,540	1,168
		<u>2,149</u>	<u>1,970</u>
NET CURRENT ASSETS		<u>654</u>	<u>422</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		792	546
PROVISIONS FOR LIABILITIES AND CHARGES	14	(129)	(91)
NET ASSETS		<u>663</u>	<u>455</u>
CAPITAL AND RESERVES			
Called up share capital	15	50	50
Profit and loss account	16	613	405
SHAREHOLDERS' FUNDS			
Equity Interest		<u>663</u>	<u>455</u>

These financial statements were approved by the Board of Directors on 7th May 1999. Signed on behalf of the Board of Directors.



D A Fox
DIRECTOR

7th May 1999



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 AND WORK IN PROGRESS

Stock 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 cost of the defined benefits pension arrangements are charged to the profit and loss account as the contributions become payable to the Scheme's principal employer, How Group Ltd.

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 1998****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 of spare parts amounted to £375,480 (1997 - £354,511).

3. OPERATING PROFIT

	1998 £000	1997 £000
Operating profit is arrived at after charging:		
Depreciation		
On owned assets	55	71
Rentals under operating leases		
Hire of plant and machinery	316	280
Other lease rentals	16	18
Remuneration payable to auditors		
Audit fees	8	10

4. EMPLOYEES

	1998 Number	1997 Number
The average number employed by the company (including directors) within each category of persons was:		
Production	89	78
Administration	42	43
	131	121
	1998 £000	1997 £000
The costs incurred in respect of these employees (including directors) were:		
Wages and salaries	3,028	2,548
Social Security costs	252	197
Other pension costs	169	161
	3,449	2,906

Pension Costs

The Company is a member of the How Group Staff Pension and Life Assurance Scheme. The Scheme is of the defined benefit type and is funded in advance by contributions at rates assessed by independent professionally qualified actuaries in valuation reports normally every three years. Particulars of the actuarial valuation are contained in the financial statements of the parent undertaking, How Group Ltd.

5. DIRECTORS

	1998 £000	1997 £000
Aggregate emoluments	133	106
	Number	Number
Number of directors who exercised share options in ultimate holding company	2	-
	Number	Number
Pension Contributions		
Number of directors to whom retirement benefits are accruing under defined benefit schemes	1	1

CLIMATE SERVICES LIMITED

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1998

6. INTEREST RECEIVABLE

	1998	1997
	£000	£000
Bank interest	1	-
Group interest	13	-
	<u>14</u>	<u>-</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998	1997
	£000	£000
UK Corporation Tax at 31% (1997: 31.5%)	179	109
Deferred taxation	27	-
Adjustments relating to earlier years -		
- corporation tax	(1)	-
- deferred tax	(52)	-
	<u>153</u>	<u>110</u>

8. DIVIDENDS

	1998	1997
	£000	£000
On ordinary shares of £1 each		
Interims at £2.70 per share (1997 £36.76)	135	1,838
Proposed final at £2.70 per share (1997 - nil)	135	-
	<u>270</u>	<u>1,838</u>

9. TANGIBLE FIXED ASSETS

a) Movement during year

	Motor Vehicles £000	Furniture and Equipment £000	TOTAL £000
COST			
1 st January 1998	229	321	550
Additions at cost	70	11	81
Disposals	(61)	(68)	(129)
Group transfers	(7)	-	(7)
31st December 1998	<u>231</u>	<u>264</u>	<u>495</u>

DEPRECIATION

1 st January 1998	135	291	426
Provided in year	39	16	55
Disposals	(50)	(68)	(118)
Group transfers	(6)	-	(6)
31st December 1998	<u>118</u>	<u>239</u>	<u>357</u>

NET BOOK VALUE

31st December 1998			
Owned assets	<u>113</u>	<u>25</u>	<u>138</u>
31st December 1997			
Owned assets	<u>94</u>	<u>30</u>	<u>124</u>

10. OPERATING LEASES

At 31st December 1998 the Company had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	1998	1997	1998	1997
	£000	£000	£000	£000
Commitments expiring:				
within one year	4	-	51	42
in two to five years	5	9	192	178
after five years	7	7	-	-
	<u>16</u>	<u>16</u>	<u>243</u>	<u>220</u>

11. STOCKS

	1998	1997
	£000	£000
Goods held for resale	<u>379</u>	<u>478</u>

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".

In the previous year work in progress was included in stocks. Comparative figures have been adjusted to reflect this change which has been made to bring presentation in line with that of the ultimate parent undertaking Tilbury Douglas plc.

12. DEBTORS

	1998	1997
	£000	£000
Amounts recoverable on contracts	719	763
Trade debtors	983	903
Amounts owed by fellow subsidiary undertakings	93	120
Other debtors	11	2
Prepayments and accrued income	<u>23</u>	<u>42</u>
	<u>1,829</u>	<u>1,830</u>

13. SUNDRY CREDITORS

	1998	1997
	£000	£000
Amounts owed to fellow subsidiary undertakings	59	101
Other creditors	21	24
Corporation tax	154	109
Other taxation and social security	285	343
Advance payments	427	324
Accruals and deferred income	459	267
Dividends	<u>135</u>	<u>-</u>
	<u>1,540</u>	<u>1,168</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

	1998 £000	1997 £000
Deferred taxation	(25)	-
Provision for warranties on products delivered	154	91
	<u>129</u>	<u>91</u>
Deferred taxation – provided and potential		
(a) Movement in year		
1st January 1998	-	
(Credit) for year	<u>(25)</u>	
31 st December 1998	<u>(25)</u>	
(b) The source of the balance on deferred tax account is as follows:		
Accelerated capital allowances	<u>(25)</u>	
Warranties on products delivered		
Movement in year		
1 st January 1998	91	
Charge for year	<u>63</u>	
31 st December 1998	<u>154</u>	

15. CALLED UP SHARE CAPITAL

	1998 £000	1997 £000
Authorised, allotted and fully paid 50,000 (1997 - 50,000) ordinary shares of £1 each	<u>50</u>	<u>50</u>

16. PROFIT AND LOSS ACCOUNT

1 st January 1998	405
Retained profit for the year	208
31 st December 1998	<u>613</u>

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1998 £000	1997 £000
Profit attributable to shareholders	478	123
Dividends	(270)	(1,838)
Capital subscribed	-	50
Movement in year	<u>208</u>	<u>(1,665)</u>
Opening shareholders' funds	455	2,120
Closing shareholders' funds	<u>663</u>	<u>455</u>

18. CONTINGENT LIABILITIES

At 31st December 1998 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 1998 there was no contingent liability (1997 - £20,675,000).

19. 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.

20. 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 Tilbury Douglas Plc, which is in-corporated in Great Britain. The Group accounts of Tilbury Douglas 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 Tilbury Douglas Group related parties which are disclosed in the consolidated financial statements of Tilbury Douglas Plc.