

**CLIMATE SERVICES LIMITED**

**Report and Financial Statements**

**31 December 2001**



# CLIMATE SERVICES LIMITED

## REPORT OF THE DIRECTORS

The directors present their report and the audited accounts for the year ended 31st December 2001.

### 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 despite the continued rising cost of operations. Market share has continued to increase with the Uxbridge and Strood branches expanding as opportunity in the South East continues to grow. Prospects for 2002 are for further growth.

### 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 £70,000 (2000 - £61,600) to its parent company. The directors recommend a final dividend of £177,000 (2000 - £185,000). After dividends, profits of £203,000 (2000 - £201,000) have been transferred to reserves.

### DIRECTORS

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

- DA Fox
- D Collin
- PA Bibby
- BA Gardner
- A M Ringrose (Appointed 01.01.02)
- P F Ford (Appointed 01.01.02)
- J Matthews (Appointed 01.01.02)

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 2001 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>Period of</u>
	<u>1.1.01</u>	<u>31.12.01</u>	<u>1.1.01</u>	<u>31.12.01</u>	<u>Price p</u>	<u>Exercise</u>
<u>Interserve 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
				1,640	439.4p	01.06.04- 01.12.04
D Collin	23,132	23,132		1,640	439.4p	01.06.04- 01.12.04
PA Bibby	-	-				
BA Gardner	153	153				
	<u>Loan Notes of £1 each</u>					
DA Fox	71,704	44,704				

The market price of Interserve Plc shares at 31st December 2001 was 510p.

The range of closing prices during the year was 459p to 605p.

The directors have no other interest in any other group undertaking (2000 - none).

# CLIMATE SERVICES LIMITED

## REPORT OF THE DIRECTORS (continued)

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### 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 2001, calculated in accordance with the requirements of the Companies Act 1985, were 57 days (2000 – 47 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



W. L. SPENCER  
Secretary  
17th April 2002

Climate House  
Highlands Road  
Shirley  
Solihull  
B90 4NL

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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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.

We have audited the financial statements of Climate Services Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

**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.

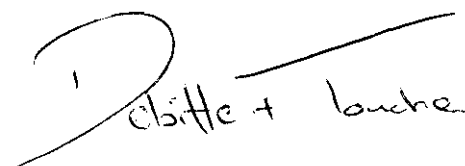
**BASIS OF AUDIT OPINION**

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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



7<sup>th</sup> May 2002

Chartered Accountants and Registered Auditors

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

**CLIMATE SERVICES LIMITED****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2001**

	NOTE	2001 £000	2000 £000
<b>TURNOVER</b>	2	10,508	9,396
Cost of sales		<u>(6,831)</u>	<u>(6,014)</u>
<b>GROSS PROFIT</b>		3,677	3,382
Administration Expenses		<u>(3,032)</u>	<u>(2,755)</u>
Other Operating Income	3	645	627
		-	6
<b>OPERATING PROFIT</b>	4	<u>645</u>	<u>633</u>
Interest receivable	7	17	24
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		662	657
Tax on profit on ordinary activities	8	<u>(212)</u>	<u>(210)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS</b>		450	447
Equity dividends	9	<u>(247)</u>	<u>(246)</u>
<b>RETAINED PROFIT FOR THE YEAR TRANSFERRED TO RESERVES</b>	17	<u>203</u>	<u>201</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 31<sup>ST</sup> DECEMBER 2001**

	NOTE	£000	2001 £000	£000	2000 £000
<b>FIXED ASSETS</b>					
Tangible assets	10		39		96
<b>CURRENT ASSETS</b>					
Stocks	12	557		444	
Debtors	13	2,453		2,153	
Cash at bank and in hand		491		216	
		<u>3,501</u>		<u>2,813</u>	
<b>CREDITORS FALLING DUE WITHIN ONE YEAR</b>					
Trade creditors		902		671	
Sundry creditors	14	<u>1,203</u>		<u>1,017</u>	
		<u>2,105</u>		<u>1,688</u>	
<b>NET CURRENT ASSETS</b>			<u>1,396</u>		<u>1,125</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			1,435		1,221
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15		(67)		(56)
<b>NET ASSETS</b>			<u>1,368</u>		<u>1,165</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	16		50		50
Profit and loss account	17		1,318		1,115
<b>SHAREHOLDERS' FUNDS</b>					
Equity Interest			<u>1,368</u>		<u>1,165</u>

These financial statements were approved by the Board of Directors on 17th April 2002.

Signed on behalf of the Board of Directors.

  
**D A Fox**  
**DIRECTOR**  
 17th April 2002

  
**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:

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

**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 Interserve 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 Interserve 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 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.

For the purposes of FRS 17, the Company has been 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, following full implementation of FRS 17, the Company will account for contributions to the Scheme as if it were a defined contribution scheme. At 31 December 2001 the valuation of the Scheme for the purposes of FRS 17 showed a net pension liability, as set out in note 6b to the report and accounts of Interserve Plc.



**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.

**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**

	<b>2001</b>	<b>2000</b>
	<b>£000</b>	<b>£000</b>
Rents Receivable	-	6

**4. OPERATING PROFIT**

	<b>2001</b>	<b>2000</b>
	<b>£000</b>	<b>£000</b>
Operating profit is arrived at after charging:		
Depreciation		
On owned assets	61	70
Rentals under operating leases		
Hire of plant and machinery	422	423
Other lease rentals	33	34
Remuneration payable to auditors		
Audit fees	10	13

**5. EMPLOYEES**

	<b>2001</b>	<b>2000</b>
	<b>Number</b>	<b>Number</b>
The average number employed by the company (including directors) within each category of persons was:		
Production	110	105
Administration	55	42
	<u>165</u>	<u>147</u>
	<b>2001</b>	<b>2000</b>
	<b>£000</b>	<b>£000</b>
The costs incurred in respect of these employees (including directors) were:		
Wages and salaries	4,001	3,672
Social Security costs	388	337
Other pension costs	-	-
	<u>4,389</u>	<u>4,009</u>

**Pension Costs**

The Interserve Pension Scheme is a defined benefit funded scheme. The last valuation of the Scheme was carried out at the 31<sup>st</sup> 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.

**6. DIRECTORS**

	<b>2001</b> <b>£000</b>	<b>2000</b> <b>£000</b>
Aggregate emoluments	263	239
Emoluments of highest paid director	131	104
Deferred Pension at 31 December of highest paid director	46	40
Accrued lump sum at 31 December for highest paid director	104	100
	<b>Number</b>	<b>Number</b>
Number of directors who exercised share options in ultimate holding company	-	-
	<b>Number</b>	<b>Number</b>
Pension Contributions		
Number of directors to whom retirement benefits are accruing under defined benefit schemes	3	3

**7. INTEREST RECEIVABLE**

	<b>2001</b> <b>£000</b>	<b>2000</b> <b>£000</b>
Group interest	17	24
	17	24

**8. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<b>2001</b> <b>£000</b>	<b>2000</b> <b>£000</b>
UK Corporation Tax at 30% (2000: 30%)	217	214
Deferred taxation	(6)	(4)
	211	210
Adjustment to prior years Corporation Tax	1	-
	212	210

**9. DIVIDENDS**

	<b>2001</b> <b>£000</b>	<b>2000</b> <b>£000</b>
On ordinary shares of £1 each		
Interims at £1.40 per share (2000 - £1.22)	70	61
Proposed final at £3.54 per share (2000 - £3.70)	177	185
	247	246

**10. TANGIBLE FIXED ASSETS**

	<b>Motor Vehicles £000</b>	<b>Furniture and Equipment £000</b>	<b>TOTAL £000</b>
<b>COST</b>			
1 <sup>st</sup> January 2001	167	215	382
Additions at cost	-	7	7
Disposals	(27)	(1)	(28)
31st December 2001	140	221	361
<b>DEPRECIATION</b>			
1 <sup>st</sup> January 2001	131	155	286
Provided in year	17	44	61
Disposals	(24)	(1)	(25)
31st December 2001	124	198	322
<b>NET BOOK VALUE</b>			
31st December 2001			
Owned assets	16	23	39
31st December 2000			
Owned assets	36	60	96

**11. OPERATING LEASES**

At 31st December 2001 the Company had annual commitments under non-cancellable operating leases as follows:

	<b>Land and Buildings</b>		<b>Other</b>	
	<b>2001 £000</b>	<b>2000</b>	<b>2001 £000</b>	<b>2000</b>
Commitments expiring:				
within one year	-	-	77	55
in two to five years	31	29	319	297
after five years	1	1	-	4
	32	30	396	356

**12. STOCKS**

	<b>2001 £000</b>	<b>2000 £000</b>
Goods held for resale	557	444

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 31<sup>ST</sup> DECEMBER 2001 (continued)

### 13. DEBTORS

	2001	2000
	£000	£000
Amounts recoverable on contracts	844	627
Trade debtors	1,380	1,293
Amounts owed by fellow subsidiary undertakings	178	159
Other debtors	10	18
Prepayments and accrued income	41	56
	<u>2,453</u>	<u>2,153</u>

### 14. SUNDRY CREDITORS

	2001	2000
	£000	£000
Advance payments	105	56
Amounts owed to fellow subsidiary undertakings	87	17
Other creditors	2	12
Corporation tax	132	166
Other taxation and social security	394	341
Accruals and deferred income	306	240
Dividends	177	185
	<u>1,203</u>	<u>1,017</u>

### 15. PROVISIONS FOR LIABILITIES AND CHARGES

	2001	2000
	£000	£000
Deferred taxation	(35)	(29)
Provision for warranties on products delivered	56	49
Other Provisions	46	36
	<u>67</u>	<u>56</u>

#### Deferred taxation – provided and potential

(a) Movement in year	
1 <sup>st</sup> January 2001	(29)
(Credit) for year	(6)
31 <sup>st</sup> December 2001	<u>(35)</u>

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

Accelerated capital allowances	<u>(35)</u>
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#### Warranties on products delivered

Movement in year	
1 <sup>st</sup> January 2001	49
Charge for year	7
31 <sup>st</sup> December 2001	<u>56</u>

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

#### Other Provisions

Movement in year	
1 <sup>st</sup> January 2001	36
Charge for Year	10
31 <sup>st</sup> December 2001	<u>46</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.

**16. CALLED UP SHARE CAPITAL**

	2001 £000	2000 £000
Authorised, allotted and fully paid 50,000 (1999- 50,000) ordinary shares of £1 each	50	50

**17. PROFIT AND LOSS ACCOUNT**

	£000
1 <sup>st</sup> January 2001	1,115
Retained profit for the year	203
31 <sup>st</sup> December 2001	1,318

**18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2001 £000	2000 £000
Profit attributable to shareholders	450	447
Dividends	(247)	(246)
Movement in year	203	201
Opening shareholders' funds	1,165	964
Closing shareholders' funds	1,368	1,165

**19. CONTINGENT LIABILITIES**

At 31st December 2001 there were contingent liabilities in respect of guarantees given in the ordinary course of business. At 31st December 2001 these amounted to £12,000 (2000 - £12,000).

The company has given guarantees covering banking facilities made available to the parent and fellow subsidiary undertakings. At 31st December 2001 these amounted to £64,230,000 (2000 - 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, Interserve 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, which is in-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.