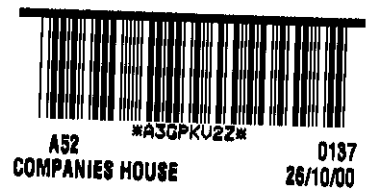


CLIMATE SERVICES LIMITED

Report and Financial Statements

31 December 1999



REPORT OF THE DIRECTORS

The directors present their report and the audited accounts for the year ended 31st December 1999.

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

Another excellent result with a strong increase in profit. Further growth opportunities exist within the 'out sourcing' market. An additional branch opens in March 2000 to capitalise on the growing market within the M2/M20 corridor in the South East.

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 £94,600 (1998 - £135,000) to its parent company. The directors recommend a final dividend of £273,682 (1998 - £135,000). After dividends, profits of £301,000 (1998 - £208,000) have been transferred to reserves.

DIRECTORS

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

- GGR Ludlow (resigned 17/02/00)
- C Gateley (resigned 30/06/99)
- DA Fox
- D Collin
- PA Bibby (appointed 01/05/1999)
- BA Gardner (appointed 01/05/1999)

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 1999 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>
	1.1.99*	31.12.99	1.1.99*	31.12.99		
<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	40,000	212.00p	07.10.01- 06.10.05
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	124,804	110,604				
D Collin	8,027	927				

* or later date of appointment

The market price of Tilbury Douglas Plc shares at 31st December 1999 was 253.5p.
The range of closing prices during the year was 218p to 328.5p.

The directors have no other interest in any other group undertaking (1998 - 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 1999, calculated in accordance with the requirements of the Companies Act 1985, were 41 days (1998 - 36 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

No "Year 2000" issues have emerged to date in relation to current and on-going business. The Company does not foresee any exceptional costs arising during the current financial year from "Year 2000" issues.

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
13th April 2000

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.

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 1999 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 April 2000

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

CLIMATE SERVICES LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1999**

	NOTE	1999 £000	1998 £000
TURNOVER	1	9,240	9,422
Cost of sales		<u>(5,696)</u>	<u>(6,145)</u>
GROSS PROFIT		3,544	3,277
Administration Expenses		<u>(2,602)</u>	<u>(2,660)</u>
OPERATING PROFIT	3	942	617
Interest receivable	6	36	14
		<u> </u>	<u> </u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		978	631
Tax on profit on ordinary activities	7	<u>(309)</u>	<u>(153)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS		669	478
Equity dividends	8	<u>(368)</u>	<u>(270)</u>
RETAINED PROFIT FOR THE YEAR TRANSFERRED TO RESERVES	16	<u>301</u>	<u>208</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 1999

	NOTE	1999 £000	1998 £000
FIXED ASSETS			
Tangible assets	9	148	138
CURRENT ASSETS			
Stocks in progress	11	485	379
Debtors	12	2,501	1,829
Cash at bank and in hand		458	595
		<u>3,444</u>	<u>2,803</u>
CREDITORS FALLING DUE WITHIN ONE YEAR			
Trade creditors		641	609
Sundry creditors	13	1,904	1,540
		<u>2,545</u>	<u>2,149</u>
NET CURRENT ASSETS		<u>899</u>	<u>654</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,047	792
PROVISIONS FOR LIABILITIES AND CHARGES	14	(83)	(129)
NET ASSETS		<u>964</u>	<u>663</u>
CAPITAL AND RESERVES			
Called up share capital	15	50	50
Profit and loss account	16	914	613
SHAREHOLDERS' FUNDS			
Equity Interest		<u>964</u>	<u>663</u>

These financial statements were approved by the Board of Directors on 13th April 2000, Signed on behalf of the Board of Directors.



D A Fox
DIRECTOR
13th April 2000



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 covers all employees who are permanent members of the 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 off-setting regular pension costs and allowing for accruing interest, will, in accordance with Statement of Standard Accounting Practice 24 - Accounting for Pension Costs, be released to the profit and loss account of 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.

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 £60,220 (1998 - £375,480).

3. OPERATING PROFIT

	1999 £000	1998 £000
Operating profit is arrived at after charging:		
Depreciation		
On owned assets	70	55
Rentals under operating leases		
Hire of plant and machinery	361	316
Other lease rentals	40	16
Remuneration payable to auditors		
Audit fees	8	8

4. EMPLOYEES

	1999 Number	1998 Number
The average number employed by the company (including directors) within each category of persons was:		
Production	94	89
Administration	41	42
	135	131
	1999 £000	1998 £000
The costs incurred in respect of these employees (including directors) were:		
Wages and salaries	3,212	3,028
Social Security costs	305	252
Other pension costs	-	169
	3,517	3,449

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 1997. The results of this valuation and details of the main actuarial assumptions adopted for this purpose are disclosed in the accounts of Tilbury Douglas Plc, the ultimate parent undertaking. As stated in note 1 (above) there is no pension credit or cost for the year. In 1998 the company participated in the How Group Scheme and pension costs for 1998 related to that scheme.

CLIMATE SERVICES LIMITED

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1999 (continued)

5. DIRECTORS

	1999 £000	1998 £000
Aggregate emoluments	187	133
	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	3	1

6. INTEREST RECEIVABLE

	1999 £000	1998 £000
Bank interest	-	1
Group interest	36	13
	36	14

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £000	1998 £000
UK Corporation Tax at 30.25% (1998: 31%)	309	179
Deferred taxation	-	27
Adjustments relating to earlier years -		
- corporation tax	-	(1)
- deferred tax	-	(52)
	309	153

8. DIVIDENDS

	1999 £000	1998 £000
On ordinary shares of £1 each		
Interims at £1.89 per share (1998 - £2.70)	95	135
Proposed final at £5.47 per share (1998 - £2.70)	273	135
	368	270

CLIMATE SERVICES LIMITED

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1999 (continued)

9. TANGIBLE FIXED ASSETS

a) Movement during year

	Motor Vehicles £000	Furniture and Equipment £000	TOTAL £000
COST			
1 st January 1999	231	264	495
Additions at cost	-	95	95
Disposals	(27)	(140)	(167)
Group transfers	(14)	-	(14)
31st December 1999	190	219	409

DEPRECIATION

1 st January 1999	118	239	357
Provided in year	32	38	70
Disposals	(24)	(140)	(164)
Group transfers	(2)	-	(2)
31st December 1999	124	137	261

NET BOOK VALUE

31st December 1999			
Owned assets	66	82	148
31st December 1998			
Owned assets	113	25	138

10. OPERATING LEASES

At 31st December 1999 the Company had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	1999 £000	1998 £000	1999 £000	1998 £000
Commitments expiring:				
within one year	5	4	40	51
in two to five years	23	5	267	192
after five years	1	7	3	-
	29	16	310	243

11. STOCKS

	1999 £000	1998 £000
Goods held for resale	485	379

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 1999 (continued)

12. DEBTORS

	1999	1998
	£000	£000
Amounts recoverable on contracts	1,010	719
Trade debtors	946	983
Amounts owed by fellow subsidiary undertakings	509	93
Other debtors	6	11
Prepayments and accrued income	30	23
	<u>2,501</u>	<u>1,829</u>

13. SUNDRY CREDITORS

	1999	1998
	£000	£000
Advance payments	239	427
Amounts owed to fellow subsidiary undertakings	9	59
Other creditors	30	21
Corporation tax	236	154
Other taxation and social security	283	285
Accruals and deferred income	834	459
Dividends	273	135
	<u>1,904</u>	<u>1,540</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

	1999	1998
	£000	£000
Deferred taxation	(25)	(25)
Provision for warranties on products delivered	108	154
	<u>83</u>	<u>129</u>
Deferred taxation – provided and potential		
(a) Movement in year		
1st January 1999	(25)	
(Credit) for year	-	
31st December 1999	<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		
1st January 1999	154	
Charge for year	-	
Released in year	<u>(46)</u>	
31st December 1999	<u>108</u>	

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

15. CALLED UP SHARE CAPITAL

	1999	1998
	£000	£000
Authorised, allotted and fully paid		
50,000 (1998 - 50,000) ordinary shares of £1 each	<u>50</u>	<u>50</u>

16. PROFIT AND LOSS ACCOUNT

	£000
1 ST January 1999	613
Retained profit for the year	301
31 ST December 1999	<u>914</u>

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1999 £000	1998 £000
Profit attributable to shareholders	669	478
Dividends	(368)	(270)
Movement in year	<u>301</u>	<u>208</u>
Opening shareholders' funds	663	455
Closing shareholders' funds	<u>964</u>	<u>663</u>

18. CONTINGENT LIABILITIES

At 31st December 1999 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 1999 there was no contingent liability (1998 - nil).

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 incorporated 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 investee companies of the Tilbury Douglas Group which are eliminated in the consolidated financial statements of Tilbury Douglas Plc.