

CLIMATE EQUIPMENT HOLDINGS LIMITED

Report and Financial Statements

31 December 2001



CLIMATE EQUIPMENT HOLDINGS LIMITED

REPORT OF THE DIRECTORS

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

ACTIVITIES

Climate Equipment Holdings Limited is a holding company, the principal activity of its subsidiaries being as set out in note 3 to the financial statements. On 28th February 2002 certain assets of Euro AS Limited (formerly Euro Air Systems Limited) were sold and the company ceased production. There were no significant changes in the activities of the remaining subsidiaries during the year.

GROUP FINANCIAL STATEMENTS

As Climate Equipment Holdings Limited is a wholly owned subsidiary of Interserve plc, group financial statements are not submitted in respect of the Company and its subsidiary undertakings.

Full provision has been made by the Company in respect of the net liabilities of Euro AS Limited (formerly Euro Air Systems Limited) and the cost of the Company's investment has been wholly written off. In the opinion of the directors the value of the Company's investment in its subsidiary undertakings is not less than the amount at which it is stated in the Balance Sheet.

RESULTS

The results of the company are as set out in the accounts on pages 5 to 9. The Company has paid interim dividends of £179,000 (2000 - £221,000) to its parent company. The directors recommend the payment of a final dividend of £222,000 (2000 - £501,000).

DIRECTORS

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

- DA Fox
- PD Skett (Resigned 07.12.01)
- K Ridgway (Resigned 07.02.02)
- 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.

CLIMATE EQUIPMENT HOLDINGS LIMITED

REPORT OF THE DIRECTORS

The interests of the directors at 31st December 2001 in the capital of the ultimate parent undertaking are as stated as follows:

<u>Interserve plc</u>	<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>
	<u>1.1.01</u>	<u>31.12.01</u>	<u>1.1.01</u>	<u>31.12.01</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- 06.10.04
				1,640	439.4p	01.06.04- 01.12.04
K Ridgway			11,175	11,175	268.4p	18.06.00- 17.06.07
			38,825	38,825	268.4p	18.06.00- 17.06.04
			15,000	15,000	346.00p	14.06.03- 13.06.07
			40,000	40,000	212.0p	07.10.01- 06.10.05
			8,657	8,657	199.2p	01.01.03- 30.06.03
				30,000	542.5p	26.03.04- 25.03.08

	<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).

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
17 April 2002

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLIMATE EQUIPMENT HOLDINGS LIMITED

We have audited the financial statements of Climate Equipment Holdings Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 11. 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.

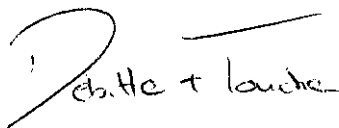
BASIS OF AUDIT OPINION

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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



7th May 2002

Chartered Accountants and Registered Auditors

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

CLIMATE EQUIPMENT HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2001

	NOTE	2001 £	2000 £
Income from fixed asset investments		552,000	722,000
Exceptional Item			
Provision for reduction in value of investments in subsidiary	3	(904,799)	
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(352,799)	722,000
Tax on (loss)/profit on ordinary activities		-	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS		(352,799)	722,000
Equity dividends	2	(401,000)	(722,000)
RETAINED (LOSS)/PROFIT FOR THE YEAR TRANSFERRED TO RESERVES	8	(753,799)	-

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 loss for the year and the preceding year set out above.

CLIMATE EQUIPMENT HOLDINGS LIMITED

BALANCE SHEET AT 31ST DECEMBER 2001

	NOTE	£	2001 £	£	2000 £
FIXED ASSETS					
Investments	3		125,100		1,029,899
CURRENT ASSETS					
Debtors	4	<u>373,000</u>		<u>501,000</u>	
CREDITORS FALLING DUE WITHIN ONE YEAR					
Sundry creditors	5	<u>447,742</u>		<u>726,742</u>	
NET CURRENT LIABILITIES			<u>(74,742)</u>		<u>(225,742)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			50,358		804,157
NET ASSETS			<u>50,358</u>		<u>804,157</u>
CAPITAL AND RESERVES					
Called up share capital	6		50,000		50,000
Profit and loss account	7		358		754,157
SHAREHOLDERS' FUNDS					
Equity Interest	8		<u>50,358</u>		<u>804,157</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 May 2002


J Matthews
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.

FIXED ASSET INVESTMENTS

Shares in subsidiary undertakings are stated at cost, less provision for impairment.

2. DIVIDENDS

	2001 £	2000 £
On ordinary shares of £1 each		
Interims at £3.58 per share (2000 - £4.42)	179,000	221,000
Proposed final at £4.44 per share (2000 - £10.02)	222,000	501,000
	<u>401,000</u>	<u>722,000</u>

3. FIXED ASSET INVESTMENTS

	Loan to subsidiary undertaking £	Shares in subsidiary undertaking £	TOTAL £
COST			
At 1 st January 2001	501,000	528,899	1,029,899
Provision	<u>(501,000)</u>	<u>(403,799)</u>	<u>(904,799)</u>
NET BOOK VALUE			
At 31 st December 2001	<u>-</u>	<u>125,100</u>	<u>125,100</u>
At 31 st December 2000	<u>501,000</u>	<u>528,899</u>	<u>1,029,899</u>

The Company's subsidiary undertakings, which are wholly owned and registered in England and Wales, are engaged in the following activities:

Climate Equipment Limited	Distribution of air conditioning and ventilating equipment.
Climate Services Limited	Maintenance of refrigeration equipment.
Euro AS Limited (formerly Euro Air Systems Limited)	Manufacture of air handling equipment.

As Climate Equipment Holdings Limited is a wholly owned subsidiary of Interserve plc, group financial statements are not submitted in respect of the Company and its subsidiary undertakings.

Increasing losses in the business of Euro AS Limited led the directors of that company in December to announce the cessation of production with effect from 28th February 2002. Full provision has therefore been made against the outstanding loans and the cost of the Company's investment in the shares of Euro AS Limited.

In the opinion of the directors the value of the Company's investment in its subsidiary undertakings is not less than the amount at which it is stated in the Balance Sheet.

CLIMATE EQUIPMENT HOLDINGS LIMITED

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2001 (continued)

4. DEBTORS

	2001	2000
	£	£
Dividends receivable	373,000	501,000

5. SUNDRY CREDITORS

	2001	2000
	£	£
Amounts owed to Group undertakings	225,742	225,742
Dividend payable	222,000	501,000
	447,742	726,742

6. SHARE CAPITAL

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

7. PROFIT AND LOSS ACCOUNT

	£
1 st January 2001	754,157
Retained loss for the year	(753,799)
31 st December 2001	358

8. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2001	2000
	£	£
Profit/(Loss) for the financial year	(352,799)	722,000
Dividends	(401,000)	(722,000)
Net decrease in shareholders funds	(753,779)	-
Opening shareholders' funds	804,157	804,157
Closing shareholders' funds	50,358	804,157

9. CONTINGENT LIABILITIES

At 31st December 2001 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 2001 these amounted to £64,230,000 (2000 - £75,857,000).

10. 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.

11. ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

The ultimate parent undertaking and ultimate controlling party is Interserve 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.