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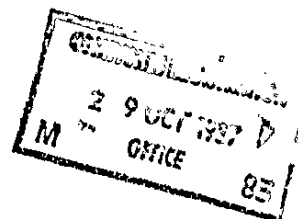
CLIMATE EQUIPMENT HOLDINGS LIMITED

DIRECTORS' REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 1986



CLIMATE EQUIPMENT HOLDINGS LIMITED
(A wholly owned subsidiary of How Group plc, incorporated in England)

REPORT OF THE DIRECTORS

The directors present their annual report and the financial statements of the company for the year ended 31st December 1986.

DIRECTORS AND THEIR INTERESTS

The directors at 31st December 1986 were:-

P C How (Chairman)
D A Fox
A Hogarth
D Summerfield

In addition J B Hopkins has also been a director during the year.

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

The directors hold no shares of the company.

D A Fox who is not also a director of the ultimate holding company, How Group plc, held the following ordinary shares in that company:-

	At 31.12.86 How Group plc 10p ordinary shares	At 31.12.85 Capriranch Limited £1 ordinary shares
Fully paid	30,460	3,046
Share options	3,000	-

The share options were granted on 29th December 1986, and are exercisable in the seven year period commencing 29th December 1989.

PRINCIPAL ACTIVITY

Climate Equipment Holdings Limited is a holding company, the principal activity of its subsidiaries being the design, supply, installation and servicing of equipment to the building industry. There were no significant changes in this activity during the year.

GROUP FINANCIAL STATEMENTS

As Climate Equipment Holdings is a wholly owned subsidiary of How Group plc, group financial statements are not submitted in respect of the company and its subsidiaries.

In the opinion of the directors the value of the company's investments in the subsidiaries is not less than the amount at which they are stated in the Balance Sheet.

CLIMATE EQUIPMENT HOLDINGS LIMITED

REPORT OF THE DIRECTORS
(Cont'd)

DIVIDENDS

The directors are unable to recommend that a dividend be paid in respect of the year under review.

AUDITORS

Binder Hamlyn offer themselves for reappointment in accordance with Section 384(1) Companies Act 1985.

26th May 1987

Intersection House
Birmingham Road
West Bromwich
West Midlands
DY4 8XL

BY ORDER OF THE BOARD

E CROW
Secretary

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

We have audited the financial statements set out on pages 4 to 6 in accordance with approved Auditing Standards.

In our opinion the financial statements which as in previous years have been prepared on the historical cost basis, give a true and fair view of the state of affairs of the company at 31st December 1986 and of its results for the year ended on that date and comply with the Companies Act 1985.

The Rotunda
150 New Street
Birmingham
B2 4PD.

26th May 1987

BINDER HAMLYN
Chartered Accountants

CLIMATE EQUIPMENT HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st DECEMBER 1986

	1986 £	1985 £
Finance charge received	8,261	9,387
Deduct: Loan interest paid	8,261	9,387
	<hr/>	<hr/>
	£ -	£ -
	<hr/>	<hr/>

The notes set out on page 6 form part of these financial statements.

CLIMATE EQUIPMENT HOLDINGS LIMITED
BALANCE SHEET AT 31st DECEMBER 1986

FIXED ASSETS	Notes	1986		1985	
		£	£	£	£
Investments	1		75,100		75,100
CURRENT ASSETS					
Debtors	2	1,502		1,502	
Cash at bank		498		498	
		2,000		2,000	
CREDITORS (amounts falling due within one year)	3	(75,100)		(75,100)	
NET CURRENT LIABILITIES			(73,100)		(73,100)
TOTAL ASSETS					
LESS CURRENT LIABILITIES			£ 2,000		£ 2,000
CAPITAL					
Called up share capital	4		£ 2,000		£ 2,000

Signed on behalf of the Board

P C How) *Peter How*
) Directors
A Hogarth) *A Hogarth*

Date of approval 26th May 1987

The notes set out on page 6 form part of these financial statements.

CLIMATE EQUIPMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31st DECEMBER 1986

1 FIXED ASSET INVESTMENTS

Shares in subsidiary
companies, at cost

1986

1985

£75,100

£75,100

At 31st December 1986 the company's operating subsidiaries were Climate Equipment Limited and Climate Services Limited, both of which were wholly owned and registered in England.

2 DEBTORS

1986

1985

£

£

Amount due by subsidiary company

1,000

1,000

Other debtors

502

502

£1,502

£1,502

3 CREDITORS

1986

1985

£

£

Unsecured loan stock

-

Amount due to former parent company

75,100

75,100

£75,100

£75,100

4 SHARE CAPITAL

Authorised
10,000 shares of £1 each

£10,000

£10,000

Allotted and fully paid
2,000 ordinary shares of £1 each

£ 2,000

£ 2,000

5 CONTINGENT LIABILITIES

The company has entered into an unlimited multilateral guarantee in respect of the bank borrowings of How Group plc and its subsidiaries, under which the company had a contingent liability at 31st December 1986 of £9,302,000 relating to the overdrafts of certain companies.

6 ULTIMATE HOLDING COMPANY

The company's ultimate holding company, following the group reconstruction which was implemented in June 1986, is How Group plc, incorporated in England.