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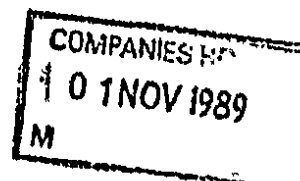
CLIMATE EQUIPMENT HOLDINGS LIMITED

DIRECTORS' REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1988



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 audited financial statements of the Company for the year ended 31 December 1988.

DIRECTORS AND THEIR INTERESTS

The directors at 31 December 1988 were:-

P C How (Chairman)
D A Fox
A Hogarth
R S Parkes (appointed 1 January 1988)
D Summerfield

In accordance with the Articles of Association directors are not required to retire by rotation, but R S Parkes who has been appointed since the last annual general meeting is required to retire. However, being eligible, he offers himself for re-election.

The directors hold no shares of the Company.

The directors who are not also directors of the ultimate holding company, How Group plc, held the following interests in the 10p ordinary shares of that company:-

	At 31.12.88		At 31.12.87 or date of appointment	
	Fully paid	Share options	Fully paid	Share options
D A Fox	255,864	41,555	213,220	41,555
R S Parkes	126,000	74,333	112,000	49,333

PRINCIPAL ACTIVITY

Climate Equipment Holdings Limited is a holding company, the principal activity of its subsidiaries being the design, supply, installation and maintenance of services to buildings. 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 its subsidiaries is not less than the amount at which they are stated in the Balance Sheet.

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CLIMATE EQUIPMENT HOLDINGS LIMITED

REPORT OF THE DIRECTORS
(Cont'd)

RESULTS AND DIVIDENDS

Details of the results and appropriations for the year are set out in the profit and loss account on page 4.

An interim dividend of £125,000 has been paid to the parent company. No final dividend is proposed.

AUDITORS

Binder Hamlyn changed their name on 12 September 1988 to BDO Binder Hamlyn and have accordingly signed their report in that name. BDO Binder Hamlyn offer themselves for re-appointment in accordance with Section 384(1) Companies Act 1985.

Intersection House
Birmingham Road
West Bromwich
West Midlands
B70 6RX

5 May 1989

By Order of the Board

C S DIXON

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 give a true and fair view of the state of affairs of the Company at 31 December 1986 and of its results for the year then ended and comply with the Companies Act 1985.

The Rotunda
150 New Street
Birmingham
B2 4PD.

5 May 1989

BDO BINDER HAMLYN
Chartered Accountants

CLIMATE EQUIPMENT HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1988

	1988 £	1987 £
Income from fixed asset investments	125,000	27,422
PROFIT ON ORDINARY ACTIVITIES	125,000	27,422
Dividend	(125,000)	(27,422)
	£ -	£ -

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

CLIMATE EQUIPMENT HOLDINGS LIMITED

BALANCE SHEET AT 31 DECEMBER 1988

	Notes	1988 £	1987 £
FIXED ASSETS			
Investments	1	75,100	75,100
CURRENT ASSETS			
Debtors	2	126,502	28,924
Cash at bank		498	498
		<hr/>	<hr/>
		127,000	29,422
CREDITORS (amounts falling due within one year)	3	(200,100)	(102,522)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(73,100)	(73,100)
TOTAL ASSETS		<hr/>	<hr/>
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

)

) Directors

A Hogarth

)

Date of approval 5 May 1989

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

CLIMATE EQUIPMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 1988

1	FIXED ASSET INVESTMENTS	1988	1987
	Shares in subsidiary companies, at cost	£75,100 =====	£75,100 =====

At 31 December 1988 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	1988 £	1987 £
	Amount due by Group companies	126,000	28,422
	Other debtors	502	502
		£126,502 =====	£28,924 =====

3	CREDITORS (AMOUNTS FALLING DUE WITHIN ONE YEAR)		
	Amount due to Group company	75,100	75,100
	Dividend payable	125,000	27,422
		£200,100 =====	£102,522 =====

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 limited multilateral guarantee in respect of the bank borrowings of How Group plc and its subsidiaries, under which the Company had a contingent liability at 31 December 1988 of £11,682,000 (1987 - £3,197,000) relating to the overdrafts of certain companies.

6 ULTIMATE HOLDING COMPANY

The Company's ultimate holding company is How Group plc, incorporated in England.