

COMPANY NO: 1935529

AIRCONAIRE SERVICES LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 1997



Bourner Bullock
Chartered Accountants
Sovereign House
212/224 Shaftesbury Avenue
London WC2H 8HQ

AIRCONAIRE SERVICES LIMITED

REPORT OF THE DIRECTORS

The directors submit their report and financial statements for the year ended 31st August 1997.

PRINCIPAL ACTIVITY

The company's principal activities are the manufacture, installation, servicing and maintenance of air-conditioning and ventilation equipment.

DIRECTORS AND THEIR INTERESTS

The directors throughout the year and their interests in the share capital of the company were as follows:-

	Interest in £1 Ordinary Shares	
	At 31.8.97	At 31.8.96
J H Allen	-	-
R D Allen	-	-

AUDITORS

Messrs Bournier Bullock have indicated their willingness to continue as auditors and will be proposed for re-election under the provisions of Section 385, Companies Act 1985.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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 of the company 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;
- 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.

In preparing this report, the directors have taken advantage of the special exemptions applicable to small companies under section 246 of the Companies Act 1985.

BY ORDER OF THE BOARD

Registered Office:

Unit 6, Deacon Trading Estate
Knight Road
Strood
Kent ME2 2AU

D. J. Allen

MRS D ALLEN
SECRETARY

5 June 1998

AIRCONAIRE SERVICES LIMITED

REPORT OF THE AUDITORS TO THE SHAREHOLDERS

We have audited the financial statements on pages 3 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1 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 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 at 31st August 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985 as applicable to small companies.

Sovereign House
212/224 Shaftesbury Avenue
London WC2H 8HQ

Bourner Bullock
BOURNER BULLOCK
Chartered Accountants
and Registered Auditors

9 June 1998

AIRCONAIRE SERVICES LIMITED

BALANCE SHEET AS AT 31ST AUGUST 1997

<u>NOTES</u>		<u>31.8.1997</u>	<u>31.8.1996</u>
		£	£
	<u>FIXED ASSETS</u>		
2	Tangible assets	455,739	450,767
3	Investments	15,000	972
		<u>470,739</u>	<u>451,739</u>
	<u>CURRENT ASSETS</u>		
4	Stock and work in progress	-	44,483
5	Debtors	187,112	342,742
	Cash at bank and in hand	24,846	65,092
		<u>211,958</u>	<u>452,317</u>
	<u>CREDITORS: Amounts falling due within one year</u>		
7	Bank loan	36,523	33,023
	Trade creditors	85,900	261,371
	Amounts owed to group undertakings	30,615	31,663
	Current corporation tax	1,616	7,100
	Other taxes and social security costs	32,585	45,167
11	Obligations under finance leases	44,094	35,556
	Accruals and deferred income	66,231	81,194
		<u>297,564</u>	<u>495,074</u>
	<u>NET CURRENT LIABILITIES</u>	(85,606)	(42,757)
	<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>	<u>385,133</u>	<u>408,982</u>
	<u>CREDITORS: Amounts falling due after more than one year</u>		
7	Bank loan	(17,242)	(56,780)
11	Obligations under finance leases	(42,012)	(27,833)
	<u>PROVISIONS FOR LIABILITIES AND CHARGES</u>		
6	Warranty costs	(13,103)	(17,730)
		<u>£312,776</u>	<u>£306,639</u>
	<u>CAPITAL AND RESERVES</u>		
8	Called-up share capital	37,000	37,000
	Profit and loss account	275,776	269,639
	<u>SHAREHOLDERS' FUNDS - all equity</u>	<u>£312,776</u>	<u>£306,639</u>

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the Board of Directors on 21 May 1998 and signed on its behalf.

J H ALLEN Director

AIRCONAIRE SERVICES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST AUGUST 1997

<u>NOTES</u>	<u>Year Ended</u> <u>31.8.1997</u> <u>£</u>	<u>Year Ended</u> <u>31.8.1996</u> <u>£</u>
TURNOVER - continuing activities	1,703,451	2,275,870
Cost of sales	(1,130,277)	(1,577,080)
GROSS PROFIT	573,174	698,790
Administrative expenses	(550,484)	(683,626)
9 OPERATING PROFIT - continuing activities	22,690	15,164
Interest receivable	2,803	9,836
Interest payable and similar charges	(16,556)	(16,634)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8,937	8,366
10 Tax on profit on ordinary activities	(2,800)	(7,100)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	6,137	1,266
Retained profit brought forward	269,639	268,373
RETAINED PROFIT CARRIED FORWARD	<u>£275,776</u>	<u>£269,639</u>

The company has no recognised gains or losses other than the losses above and therefore no separate statement of total recognised gains and losses has been presented.

There are no movements in shareholders' funds other than the loss for the year. Accordingly, no reconciliation of movements in shareholders' funds is presented.

AIRCONAIRE SERVICES LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST AUGUST 1997

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention.

Depreciation of tangible fixed assets

Depreciation of the cost of tangible fixed assets is provided over their estimated useful lives at the following annual rates:

Freehold Property	-	5% on cost
Computer	-	33 1/3% on reducing balance
Motor Vehicles	-	25% on reducing balance
Tools & Equipment	-	25% on reducing balance

Long-term contracts

Long-term contract balances represent costs incurred on specific contracts, net of amounts transferred to cost of sales in respect of work recorded as turnover, less foreseeable losses and payments on account not matched with turnover. Turnover is assessed by reference to the value of work carried out. No profit is recognised until the contract has advanced to a stage where total profit can be assessed with reasonable certainty. Provision is made for the full amount of foreseeable losses on contracts.

Leases

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The excess of the lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Pensions

The company operates a defined contribution pension scheme and the pension charged represents the amounts payable by the company to the fund in respect of the year.

AIRCONAIRE SERVICES LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST AUGUST 1997

2. <u>TANGIBLE FIXED ASSETS</u>	<u>Freehold Property</u> £	<u>Computer</u> £	<u>Motor Vehicles</u> £	<u>Tools & Equipment</u> £	<u>Total</u> £
<u>Cost</u>					
At 1.9.1996	358,679	11,523	177,643	67,511	615,356
Additions	-	27,808	62,861	3,135	93,804
Disposals	-	-	(36,472)	-	(36,472)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31.8.1997	<u>358,679</u>	<u>39,331</u>	<u>204,032</u>	<u>70,646</u>	<u>672,688</u>
<u>Accumulated depreciation</u>					
At 1.9.1996	35,868	8,125	75,270	45,326	164,589
Disposals	-	-	(19,329)	-	(19,329)
Charge for year	17,934	10,402	37,023	6,330	71,689
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31.8.1997	<u>53,802</u>	<u>18,527</u>	<u>92,964</u>	<u>51,656</u>	<u>216,949</u>
Net book value at 31.8.97	<u>£304,877</u>	<u>£20,804</u>	<u>£111,068</u>	<u>£18,990</u>	<u>£455,739</u>
Net book value at 31.8.96	<u>£322,811</u>	<u>£3,398</u>	<u>£102,373</u>	<u>£22,185</u>	<u>£450,767</u>

The net book value of fixed assets includes £125,186 (1996: £96,880) in respect of assets held under finance leases and hire purchase contracts.

AIRCONAIRE SERVICES LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST AUGUST 1997

3. <u>INVESTMENTS</u>	<u>31.8.1997</u>	<u>31.8.1996</u>
	£	£
Shares in subsidiaries:		
Cost	15,000	15,000
Provision	-	(14,028)
	<u>£15,000</u>	<u>£972</u>

The movements arises from the release of the provision during the year.

At 31 August 1997 the company had two subsidiary undertakings both of which were unlisted. Details of these companies are as follows:

Airconaire Limited

- 76.5% of the issued ordinary share capital
- incorporated in the England and Wales
- principal activity is the performance of design work in the air-conditioning and ventilation industry
- aggregate capital and reserves at 31st August 1997 - £10,971
- profit after taxation for the year ended 31st August 1997 - £5,399

Airconaire Products Limited

- 100% of the issued ordinary share capital
- incorporated in the United Kingdom
- did not trade in the period
- aggregate capital and reserves at 31st August 1997 - £10,121 (deficit)
- profit after taxation for the year ended 31st August 1997 - £Nil

4. <u>STOCK AND WORK IN PROGRESS</u>	<u>31.8.1997</u>	<u>31.8.1996</u>
	£	£
Work in progress	-	17,786
Raw materials at cost	-	26,697
	<u>£ -</u>	<u>£44,483</u>

5. <u>DEBTORS</u>		
Trade debtors	(1,670)	114,977
Amounts recoverable on contracts	31,311	218,997
Amounts owed by group undertakings	152,349	2,278
Corporation tax recoverable	-	2,500
Other debtors	1,437	-
Prepayments and accrued income	3,685	3,990
	<u>£187,112</u>	<u>£342,742</u>

AIRCONAIRE SERVICES LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST AUGUST 1997

6. WARRANTY PROVISION

Balance at 1.9.96	17,730	14,182
(Received)/charged to profit and loss account	(4,627)	3,548

Balance at 31.8.97	<u>£13,103</u>	<u>£17,730</u>
--------------------	----------------	----------------

7. BANK LOAN (Secured)

	<u>31.8.1997</u>	<u>31.8.1996</u>
	£	£

Repayable by instalments:-

Within one year	36,523	33,023
Between one and two years	17,242	33,023
Between two and five years	-	23,757

	<u>£53,765</u>	<u>£89,803</u>
--	----------------	----------------

8. CALLED UP SHARE CAPITAL

	<u>31.8.1997</u>	<u>31.8.1996</u>
	£	£

Authorised:

50,000 Ordinary shares of £1 each	<u>£50,000</u>	<u>£50,000</u>
-----------------------------------	----------------	----------------

Allotted, called-up and fully paid:

37,000 Ordinary shares of £1 each	<u>£37,000</u>	<u>£37,000</u>
-----------------------------------	----------------	----------------

9. OPERATING PROFIT

	<u>Year Ended</u> <u>31.8.1997</u>	<u>Year Ended</u> <u>31.8.1996</u>
	£	£

This is stated after charging:

Depreciation - owned assets	27,614	28,860
- assets held under finance leases	44,075	32,293
Auditors' remuneration	8,000	8,000
Hire of plant and machinery	11,056	15,359
Directors' emoluments (including benefits in kind)	51,700	62,314
Pension costs	17,888	5,600
Hire purchase interest	7,504	6,780
Net management charges	<u>45,671</u>	<u>116,317</u>

AIRCONAIRE SERVICES LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST AUGUST 1997

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

UK Corporation Tax based on profit for the year at 23%/24% (1996: 24%/25%)	2,800	7,100
	<u>£2,800</u>	<u>£7,100</u>

11. OBLIGATIONS UNDER FINANCE LEASES

	<u>31.8.1996</u>	<u>31.8.1995</u>
	£	£
Gross obligations under finance leases and hire purchase contracts:		
Within one year	51,058	41,028
Within two to five years	48,637	32,196
	<u>99,695</u>	<u>73,224</u>
<u>Less:</u>		
Finance charges allocated to future periods	(13,590)	(9,836)
	<u>£86,105</u>	<u>£63,388</u>

12. GUARANTEE

A composite guarantee (unlimited) with respect to banking facilities has been given by Airconaire Services Limited in favour of Canex Refrigeration Limited, and Airconaire Products Limited. At the year end the only bank borrowing of the group was the Airconaire Services Limited bank loan of £53,765.

AIRCONAIRE SERVICES LIMITED
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31ST AUGUST 1997

13. ULTIMATE PARENT UNDERTAKING

The company is a wholly-owned subsidiary of Canex Refrigeration Limited, a company incorporated in England and Wales.

The group qualifies as a small company, and is thus not required to prepare consolidated accounts.

As disclosed in the directors' report of the ultimate parent, the group is under the ultimate control of Mr J H Allen, a director of this company.