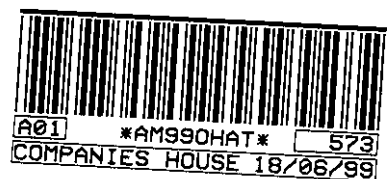


RENOWN INVESTMENTS (HOLDINGS) LIMITED

Registered number: 683698

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 1998**

**KPMG Audit Plc
Chartered Accountants
Registered Auditor
Gatwick**



RENOWN INVESTMENTS (HOLDINGS) LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 December 1998

BUSINESS REVIEW

The company continued to carry out its principal activities of property development, investment and management.

The results for the year are set out in the Profit & Loss Account on page 4.

YEAR 2000

The Company is aware of the information technology, legal, commercial and financial issues which may arise as a result of the Year 2000 date change in relation to computer hardware, software and embedded systems.

The Company is taking part in the Costain Group 2000 Project. The Group's Year 2000 Project has a Main Board sponsor and the full commitment of the Board who delegated the task of monitoring the day to day progress on the Group's Year 2000 Project to the Executive Board.

An audit of all hardware, software and embedded systems in use within the Group has been completed. Action has been taken so that the Group's core software systems will be compliant. A programme is in place to ensure compliance for other software, hardware and embedded systems in use within the Group's premises.

The incremental costs of achieving Year 2000 compliance in respect of the Group's software and hardware will be absorbed by the Group's policy of continuous updating of software and hardware. The cost of additional resources directed specifically to the Year 2000 Project is being absorbed within Group overheads.

DIRECTORS AND SHARE INTERESTS

Directors who held office at the end of the year and their disclosable interests in shares, as recorded in the register of directors' interests:

		At 1.1.98	At 31.12.98
J A Armitt*			
M F Burdes	a	460	460
J R Campbell*			

a - Costain Group Plc ordinary shares of 10p each

* the interests of these directors in the shares of Costain Group Plc are disclosed in the accounts of that company.

RENOWN INVESTMENTS (HOLDINGS) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

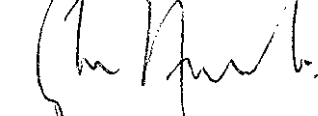
For the year ended 31 December 1998

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 apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 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.

BY ORDER OF THE BOARD



C L FRANKS
SECRETARY

REGISTERED OFFICE

111 Westminster Bridge Road
London SE1 7UE

Date: **30 MAR 1999**

RENOWN INVESTMENTS (HOLDINGS) LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

For the year ended 31 December 1998

We have audited the financial statements on pages 4 to 9.

Respective responsibilities of directors and auditors

As described on page 2 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 of 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 affairs of the company at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Gatwick

30 Dec 1998

RENOWN INVESTMENTS (HOLDINGS) LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 31 December 1998**

	Notes	1998 £	1997 £
Turnover	1	921,700	1,258,035
Cost of Sales		<u>(439,149)</u>	<u>(1,163,678)</u>
Gross profit		482,551	94,357
Administrative expenses		<u>(2,000)</u>	<u>(2,440)</u>
Operating profit		480,551	91,917
Profit on disposal of fixed assets		-	7,000
Interest receivable - external		11,311	2,328
Profit on ordinary activities before taxation		<u>491,862</u>	<u>101,245</u>
Taxation	5	<u>-</u>	<u>(3,189)</u>
Profit on ordinary activities after taxation		<u><u>491,862</u></u>	<u><u>98,056</u></u>

There were no recognised gains or losses other than the profit for the year.

All operating profits and losses are attributable to continuing operations.

THE NOTES ON PAGES 6 TO 9 FORM PART OF THESE FINANCIAL STATEMENTS

RENOWN INVESTMENTS (HOLDINGS) LIMITED**BALANCE SHEET****As at 31 December 1998**

	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	6	54,000	57,500
Current assets			
Debtors	7	3,120,035	1,869,018
Creditors amounts falling due within one year	8	<u>(1,668,281)</u>	<u>(912,626)</u>
Net current assets		<u>1,451,754</u>	<u>956,392</u>
Net assets		<u>1,505,754</u>	<u>1,013,892</u>
Capital and reserves			
Called up share capital	9	5,075,100	5,075,100
Profit and loss account	10	<u>(3,569,346)</u>	<u>(4,061,208)</u>
Shareholders' funds	11	<u>1,505,754</u>	<u>1,013,892</u>

The financial statements were approved by the Board of Directors on
and were signed on its behalf by:

30 MAR 1999

Director

J R CAMPBELL**THE NOTES ON PAGES 6 TO 9 FORM PART OF THESE FINANCIAL STATEMENTS**

RENOWN INVESTMENTS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 1998

1. ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and under the historical cost accounting rules, modified to include the revaluation of certain investment properties (see investment properties note below).

Cash Flow Statement

As the cash flow statement in the consolidated accounts of the ultimate parent company, Costain Group PLC, complies with the conditions of Financial Reporting Standard No 1 (revised) ("FRS 1 (revised)"), the company is exempt under FRS 1 (revised) from the requirements to prepare a separate cash flow statement.

Turnover

Turnover represents amounts receivable for letting of properties, and the sale of properties held for resale.

Investment Properties

Profits and losses on disposal of investment properties are calculated by reference to their carrying value.

Depreciation

In accordance with Statement of Standard Accounting Practice 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, and no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. The directors consider that this treatment, which represents a departure from the Companies Act 1985, is necessary in order to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

RENOWN INVESTMENTS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS continued

31 December 1998

Taxation

Deferred taxation is provided at the latest relevant rates in respect of all timing differences which, in the opinion of the directors, are expected to reverse in the foreseeable future.

No provision is made for the potential liability of corporation tax on the unrealised revaluation surplus in respect of the investment properties as these are held as long term investments.

The investment properties which were sold during the financial year ending 31 December 1998 gave rise to no tax liability.

2.	Profit on ordinary activities before taxation	1998	1997
		£	£
	Profit on ordinary activities before taxation is after charging:		
	Auditors' remuneration - audit	2,000	2,175
3.	Remuneration of directors		
	No emoluments were paid to the directors of the company during the year (1997 nil).		
4.	Staff costs		
	There were no staff employed during the year (1997 nil).		
5.	Taxation	1998	1997
		£	£
	On profits for the year:		
	United Kingdom corporation tax at 31 % (1997 31.5%)	-	3,189
		<u>-</u>	<u>3,189</u>

RENOWN INVESTMENTS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS continued

31 December 1998

6.	Tangible assets Investment properties	Land and Buildings Leasehold over 50 years	
		£	
	At 1 January 1998	57,500	
	Revaluation Adjustment	<u>3,500</u>	
	At 31 December 1998	<u>54,000</u>	
7.	Debtors	1998	1997
		£	£
	Amounts owed by group undertakings	2,217,453	4,400
	Other debtors - due within one year	267,962	521,000
	- due after more than one year	882,677	1,345,755
	Assets for disposal	-	297,000
		<u>3,368,092</u>	2,168,155
	Less provision against other debtors	<u>(248,057)</u>	<u>(299,137)</u>
		<u>3,120,035</u>	<u>1,869,018</u>
8.	Creditors amounts falling due within one year	1998	1997
		£	£
	Bank loans and overdrafts	17	172
	Trade creditors	114,851	3,115
	Taxation	-	3,189
	Accruals and deferred income	53,194	35,026
	Amounts owing to group undertakings	<u>1,500,219</u>	<u>871,124</u>
		<u>1,668,281</u>	<u>912,626</u>

RENOWN INVESTMENTS (HOLDINGS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS continued****31 December 1998**

9.	Share capital	1998		1997	
		£ Authorised	£ Issued	£ Authorised	£ Issued
	Ordinary shares of £1 each called up and fully paid	<u>5,075,100</u>	<u>5,075,100</u>	<u>5,075,100</u>	<u>5,075,100</u>

10.	Reserves		Profit and loss
			£
	As at 1 January 1998		(4,061,208)
	Retained profit for the year		<u>491,862</u>
	At 31 December 1998		<u>(3,569,346)</u>

11.	Reconciliation of movement in shareholders funds	1998	1997
		£	£
	Profit for the financial year	491,862	98,056
	Opening shareholders' funds	<u>1,013,892</u>	<u>915,836</u>
	Closing shareholders' funds	<u>1,505,754</u>	<u>1,013,892</u>

12. Contingent liabilities

The company has entered into cross guarantees together with the ultimate parent company and certain fellow Group undertakings for loans and overdraft facilities made available to the Group. These facilities are included in the Group financial statements and amount to £12.9m (1997 £15.0m).

There are also contingent liabilities in respect of performance bonds and other undertakings entered into in the ordinary course of business.

13. Ultimate parent company

The company's ultimate parent company is Costain Group PLC, a company registered in England and Wales. A copy of the Group financial statements of Costain Group PLC may be obtained from the registered office of Costain Group PLC, 111 Westminster Bridge Road, London SE1 7UE.

14. Related parties transactions

The company is exempt under Financial Reporting Standard No 8 (FRS 8) from the requirements to disclose related party transactions on the basis that it is a wholly owned subsidiary of the ultimate parent company, Costain Group PLC.