

"Registrar's Copy"

COMPANY No: 72566

HOW ENGINEERING SERVICES NORTHERN LIMITED

DIRECTORS' REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1987



HOW ENGINEERING SERVICES NORTHERN LIMITED
(A wholly owned subsidiary of How Engineering Services Limited,
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 1987.

PRINCIPAL ACTIVITIES

With effect from 1 January 1987 the activities, assets and liabilities of the Company were transferred to How Engineering Services Limited and the Company ceased to trade.

GROUP FINANCIAL STATEMENTS

As the Company is a wholly owned subsidiary of How Engineering Services Limited, group financial statements are not submitted in respect of the Company and its subsidiary.

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

DIVIDEND

An interim dividend of £1,000,000 has been paid to the parent company out of retained profits for earlier years. No final dividend is proposed.

TANGIBLE FIXED ASSETS

The whole of the Company's tangible fixed assets were transferred on 1 January 1987 at net book value to How Engineering Services Limited.

DIRECTORS AND THEIR INTERESTS

The directors at 31 December 1987 were:--

C J Parkinson - (Chairman)
A Hogarth

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

The directors hold no shares of the Company.

HOW ENGINEERING SERVICES NORTHERN LIMITED

REPORT OF THE DIRECTORS
(continued)

AUDITORS

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

6 May 1988

Intersection House
West Bromwich
West Midlands
B70 6RX

BY ORDER OF THE BOARD

C S Dixon
Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF
HOW ENGINEERING SERVICES NORTHERN LIMITED

We have audited the financial statements set out on pages 4 to 7 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 1987 and of its results for the year then ended and comply with the Companies Act 1985.

The Rotunda
150 New Street
Birmingham
B2 4PD.

6 May 1988

BINDER HAMLYN
Chartered Accountants

HOW ENGINEERING SERVICES NORTHERN LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1987

	Notes	1987 £	1986 £
TURNOVER		-	18,636,982
Cost of sales		-	(15,889,362)
		<hr/>	<hr/>
GROSS PROFIT		-	2,747,620
Administrative expenses		-	(1,998,642)
Other operating income		-	30,690
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	779,668
Taxation	1	2,050	(298,043)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,050	481,625
Extraordinary charge		-	(20,305)
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR		2,050	461,320
Retained profit brought forward		1,126,126	664,806
		<hr/>	<hr/>
		1,128,176	1,126,126
Dividend		(1,000,000)	-
		<hr/>	<hr/>
RETAINED PROFIT CARRIED FORWARD		£128,176	£1,126,126
		<hr/> <hr/>	<hr/> <hr/>

The notes set out on pages 6 and 7 form part of these financial statements.

HOW ENGINEERING SERVICES NORTHERN LIMITED

BALANCE SHEET AT 31 DECEMBER 1987

	Notes	£	1987	£	£	1986	£
FIXED ASSETS							
Tangible assets	2		-			559,523	
Investments	3		10,000			10,000	
			10,000			569,523	
CURRENT ASSETS							
Stocks			-		1,698,073		
Debtors	4	174,887			3,867,159		
Cash at bank and in hand			-		13,040		
			174,887		5,578,272		
CREDITORS (amounts falling due within one year)			-		(4,964,958)		
NET CURRENT ASSETS				174,887			613,314
TOTAL ASSETS				£184,887			£1,182,837
LESS CURRENT LIABILITIES							
CAPITAL AND RESERVES							
Called up share capital	5		10,000				10,000
Profit and loss account			128,176				1,126,126
Other reserves			46,711				46,711
SHAREHOLDERS' FUNDS				£184,887			£1,182,837

Signed on behalf of the Board

C J Parkinson)

Directors

A Hogarth)

Date of approval 6 May 1988

The notes set out on pages 6 and 7 form part of these financial statements.

HOW ENGINEERING SERVICES NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)

1 TAXATION

	1987 £	1986 £
UK corporation tax based on profit for the year	-	300,428
Transfer from deferred tax	-	(4,519)
	-----	-----
Adjustments relating to prior years	(2,050)	295,909 2,134
	-----	-----
	£ (2,050)	£298,043
	=====	=====

2 TANGIBLE FIXED ASSETS

	Total £	Long term leasehold property £	Plant and equipment £	Motor vehicles £
COST				
At 31 December 1986	956,190	163,350	203,009	589,831
Intragroup disposals	(956,190)	(163,350)	(203,009)	(589,831)
	-----	-----	-----	-----
At 31 December 1987	-	-	-	-
	-----	-----	-----	-----
DEPRECIATION				
At 31 December 1986	396,667	-	136,955	259,712
Intragroup disposals	(396,667)	-	(136,955)	(259,712)
	-----	-----	-----	-----
At 31 December 1987	-	-	-	-
	-----	-----	-----	-----
NET BOOK VALUE				
At 31 December 1987	£ -	-	-	-
	=====	=====	=====	=====
At 31 December 1986	£559,523	163,350	66,054	330,119
	=====	=====	=====	=====

HOW ENGINEERING SERVICES NORTHERN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)

3	FIXED ASSET INVESTMENT	1987	1986
	Investment in subsidiary company, at cost	£10,000	£10,000
		=====	=====
	The Company's subsidiary company, which is wholly owned and incorporated in Scotland, is How Engineering Services Scotland Limited		
4	DEBTORS	1987	1986
		£	£
	Trade debtors	-	2,720,212
	Amounts owed by Group companies	165,752	903,538
	Corporation tax recoverable	9,135	-
	Value added tax	-	142,464
	Other debtors	-	61,092
	Prepayments and accrued income	-	39,853
		=====	=====
		£ 174,887	£3,867,159
		=====	=====
5	CALLED UP SHARE CAPITAL	1987	1986
		£	£
	Authorised, allotted and fully paid 10,000 ordinary shares of £1 each	£ 10,000	£ 10,000
		=====	=====
6	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 31 December 1987 of £3,197,000 (1986 - £9,302,000) relating to the overdrafts of certain companies.		
	In addition, the Company is contingently liable at 31 December 1987 in respect of guarantees, indemnities and performance bonds arising in the ordinary course of business of £1,475,422 (1986 - £3,001,301).		
7	ULTIMATE HOLDING COMPANY		
	The Company's ultimate holding company is How Group plc, incorporated in England.		