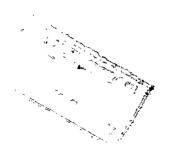
DIRECTORS' REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1987



(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.

REPORT OF THE DIRECTORS

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 or 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

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1987

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

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

BALANCE SHEET AT 31 DECEMBER 1987

		19			986 £
FIXED ASSETS	Notes	£	£	£	₹-
Tangible assets Investments	2 3		10,000		559,523 10,000
			10,000		569,523
CURRENT ASSETS Stocks Debtors Cash at bank and in hand	4	174,887 -		1,698,073 3,867,159 13,040	
	-	174,887		5,578,272	
CREDITORS (amounts falling due within one year)		-		(4,964,958)	•
NET CURRENT ASSETS	-		174,887		613,314
TGTAL ASSETS LESS CURRENT LIABILITIES			£184,887		£1,182,837
CAPITAL AND RESERVES Called up share capital Profit and loss account Other reserves	5		10,000 128,176 46,711		10,000 1,126,126 46,711
SHAREHOLDERS' FUNDS			£184,887	=	£1,182,837
Signed on behalf of the Boa	rd				

Date of approval 6 May 1988

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

C J Parkinson

A Hogarth

NOTES TO THE FINANCIAL STATEMENTS (continued)

	1	TAX	ATI	(ON
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1	TAXATION			1987	1986
	UK corporation tax bar profit for the year Transfer from deferred			£ - -	£ 300,428 (4,519)
	Adjustments relating	o prior year	: s	(2 - 2	295,909 2,134
				£ (2,050)	£298,043
2	TANGIBLE FIXED ASSETS	Total £	Long term leasehold property £		Motor vehicles £
	COST At 31 December 1985 Intragroup disposals	956,190 (956,190)	163,350 (163,350)	203,009 (203,009)	589,831 (589,831)
	At 31 December 1987	_	_	_	_
	DEPRECIATION At 31 December 1986 Intragroup disposals	396,667 (396,667)	<u>-</u>	136,955 (136,955)	259,712 (259,712)
	At 31 December 1987		-		-
	NET BOOK VALUE At 31 December 1987	£ -	<u>-</u>		
	At 31 December 1986	£559,523	163,350	66,054	330,119

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 Amounts owed by Group companies Corporation tax recoverable Value added tax Other debtors Prepayments and accrued income	- 165,752 9,135 - -	2,720,212 903,538 - 142,464 61,092 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 a dition, 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.