

**Deloitte &
Touche**



Deloitte Touche
Tohmatsu

D B M AIR PRODUCTS LIMITED

Report and Financial Statements

31 December 1997

**Deloitte & Touche
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN**



**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 1997.

PROFIT AND LOSS ACCOUNT

No profit and loss account is presented with this report as the Company has not traded during the year.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were:

D Summerfield (Chairman)

R S Parkes (resigned 31 December 1997)

T H P Stead (appointed 31 December 1997)

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

The directors hold no shares of the Company.

Both directors are also directors of How Group plc and their interests are disclosed in that company's financial statements.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

C S Dixon

Secretary

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 as at the end of the financial year 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
- state whether applicable accounting standards have been followed
- 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. 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.



AUDITORS' REPORT TO THE MEMBERS OF

D B M AIR PRODUCTS LIMITED

We have audited the financial statements on pages 4 and 5 which have been prepared under the accounting policies set out on page 5.

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, 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 31 December 1997 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and Registered Auditors

15 June 1998

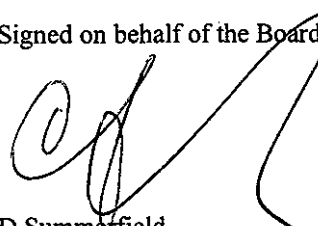


BALANCE SHEET
31 December 1997

	Note	1997 £	1996 £
CURRENT ASSETS			
Debtors	2	100	100
CREDITORS: amounts falling due within one year	3	(80)	(80)
NET ASSETS		<u>20</u>	<u>20</u>
CAPITAL AND DEFICIENCY			
Called up share capital	4	100	100
Profit and loss account		(80)	(80)
EQUITY SHAREHOLDERS' FUNDS		<u>20</u>	<u>20</u>

These financial statements were approved by the Board of Directors on 20 March 1998.

Signed on behalf of the Board of Directors


D Summerfield

Director



NOTES TO THE ACCOUNTS
Year ended 31 December 1997

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has not traded during the year and consequently no profit and loss account is presented with this report.

2. DEBTORS

	1997 £	1996 £
Amounts owed by Group undertakings	<u>100</u>	<u>100</u>

3. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Amounts owed to Group undertakings	<u>80</u>	<u>80</u>

4. CALLED UP SHARE CAPITAL

	1997 £	1996 £
Authorised, allotted and fully paid 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

5. CONTINGENT LIABILITIES

The Company has entered into an unlimited multilateral guarantee in respect of the bank borrowings of How Group plc and its subsidiary undertakings, under which the Company had a contingent liability at 31 December 1997 of £20,717,728 (1996 - £17,285,303) relating to the overdrafts of certain companies.

The consolidated accounts of How Group plc reflect net cash and bank deposit balances of £9,472,000 at 31 December 1997 (1996 - £7,759,000).

6. ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent undertaking is How Group plc.

How Group plc is the parent undertaking of the largest group of which D B M Air Products Limited is a member and for which group accounts are drawn up.

Accounts for this undertaking have been delivered and are available from the Registrar of Companies, Crown Way, Maindy, Cardiff, CF4 3UZ.

The Company has taken advantage of the exemption within Financial Reporting Standard 8 from reporting transactions with other group companies.