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DESQUENNE ET GIRAL UK LIMITED
REPORT OF THE DIRECTORS
AND
AUDITED FINANCIAL STATEMENTS
FOR THE TWELVE MONTH PERIOD ENDED 31 DECEMBER 1996



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FOR THE TWELVE MONTH PERIOD ENDED 31 DECEMBER 1996

DIRECTORS

J.L. P. A. GIRAL

J.C. GUÉDÉ

SECRETARY

R. BROCARD

REGISTERED OFFICE

**Basingstoke office at Walgate House
25 Church Street
Basingstoke Hampshire RG21 1QQ**

REGISTERED NUMBER

2805908

DESQUENNE ET GIRAL UK LIMITED
REPORT OF THE DIRECTORS FOR THE TWELVE MONTH PERIOD ENDED
31 DECEMBER 1996

1. Principal activities

The company's principal activity is that of an investment holding company.

2. Review of the business and future business developments

In October 1996 DG CONSTRUCTION S.A., the company's immediate parent company, formally waived the amount then owing to it by the company. This exceptional gain is set out in note 3.

During the year the company continued to look for future investment opportunities.

3. Dividends and transfers to reserves

No dividends were proposed or paid in the period under review. Reserve movements are set out in note 8 to the financial statements.

4. Directors interests

The interests of the directors in the shares of Desquenne et Giral S.A., the ultimate parent company, at 31 December 1996 together with their interests at 1 January 1996 were as follows:

SHARES

	1 January 1996	31 December 1996
J.L. P.A. Giral	469.200	469.200
J.C. Guédé	-	-

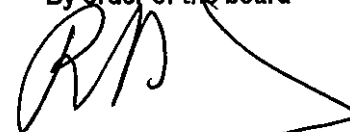
No director had any interest in the share capital of the company at any time during the period.

The directors shown on page 1 were the only directors of the company during the period and the list constitutes part of this report.

5. Auditors

A resolution to re-appoint Robson Rhodes as auditors will be proposed at the annual general meeting.

By order of the board



R. Brocard
Company Secretary

16 April 1997

REPORT OF THE AUDITORS TO THE MEMBERS OF DESQUENNE ET GIRAL UK LIMITED

We have audited the financial statements on pages 5 to 10 which have been prepared on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 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.

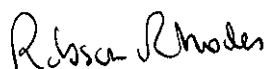
Basis of opinion

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 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 1996 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



ROBSON RHODES

Chartered Accountants and Registered Auditors
London

27 June 1997

DESQUENNE ET GIRAL UK LIMITED
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 at the end of the financial period, 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 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.

DESQUENNE ET GIRAL UK LIMITED
PROFIT AND LOSS ACCOUNT FOR
THE TWELVE MONTH PERIOD ENDED 31 DECEMBER 1996

	NOTE	Twelve Month Period to 31 December 1996 £	Twelve Month Period to 31 December 1995 £
Administrative expenses : continuing operations		(6.173)	(1.689)
Operating loss : continuing operations		<u>(6.173)</u>	<u>(1.689)</u>
Exceptional gain / (loss) : continuing operations	3	390.290	(388.303)
Profit / (Loss) on ordinary activities before taxation	4	<u>384.117</u>	<u>(389.992)</u>
Tax on ^{Profit/} loss on ordinary activities	5	-	-
Profit / (Loss) for the financial period	8, 9	<u>384.117</u>	<u>(389.992)</u>

The company had no recognised gains and losses other than those included above and therefore no separate statement of total recognised gains and losses has been presented.

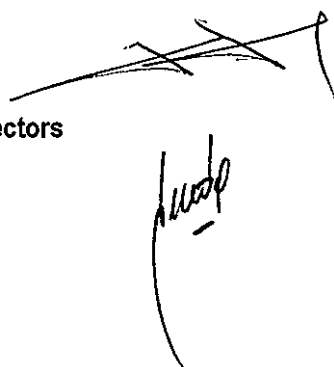
There is no difference between the ^{Profit/}loss on ordinary activities before taxation and the loss for the period stated above and their historical cost equivalents.

DESQUENNE ET GIRAL UK LIMITED
BALANCE SHEET AT 31 DECEMBER 1996

	NOTE	31 December 1996 £	31 December 1995 £
Current assets			
Cash at bank and in hand		-	231
Creditors: amounts falling due within one year	6	(8.636)	(392.984)
Net current liabilities		<u>(8.636)</u>	<u>(392.753)</u>
Total assets less current liabilities		<u>(8.636)</u>	<u>(392.753)</u>
Capital and reserves			
Called-up share capital	7	100	100
Profit and loss account	8	(8.736)	(392.853)
Net deficit of equity shareholder's funds	9	<u>(8.636)</u>	<u>(392.753)</u>

The financial statements were approved by the board of directors on 16 April 1997 and were signed on its behalf by:

J.L. Giral }
 } Directors
 J.C. Guédé }



DESQUENNE ET GIRAL UK LIMITED
CASH FLOW STATEMENT FOR THE TWELVE MONTH PERIOD
ENDED 31 DECEMBER 1996

	Twelve Month Period to 31 December 1996 £	Twelve Month Period to 31 December 1995 £
Net cash outflow from operating activities	(1.173)	(689)
Investing activities		
Investment in associated undertaking	-	(123.303)
Net cash outflow from investing activities	-	(123.303)
Net cash outflow before financing	<u>(1.173)</u>	<u>(123.992)</u>
Financing		
Loan from ultimate parent company	910	124.245
Net cash inflow from financing	910	124.245
Change in cash and cash equivalents	<u>(263)</u>	<u>253</u>

Notes to the cash flow statement

1. *Reconciliation of operating loss to net cash outflow from operating activities*

	Twelve Month Period to 31 December 1996 £	Twelve Month Period to 31 December 1995 £
Operating loss	(6.173)	(1.689)
Increase in creditors	5.000	1.000
Net cash outflow from operating activities	<u>(1.173)</u>	<u>(689)</u>

2. *Analysis of changes in cash and cash equivalents during the period*

	£	£
At 1 January 1996	231	(22)
Net cash (outflow) / inflow	(263)	253
At 31 December 1996	<u>(32)</u>	<u>231</u>

DESQUENNE ET GIRAL UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWELVE MONTH PERIOD ENDED 31 DECEMBER 1996

1. Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been consistently applied, is set out below.

a. Basis of accounting

The financial statements have been prepared in accordance with the historical cost basis of accounting. The accounts have been prepared on a going concern basis by reason of a letter of support given by the ultimate parent company.

b. Foreign currencies

Profit and loss account items are translated into sterling using the previous month-end exchange rate or where the transaction is covered by a matching forward contract, at the rate of exchange specified in that contract.

Foreign currency monetary assets and liabilities are translated into sterling at the rate of exchange ruling at the balance sheet date or where appropriate, by reference to the rate of exchange fixed under a matching forward contract.

c. Fixed asset investments

Investments are held at cost less provision for permanent diminution in value.

2. Employees and directors' emoluments

The company had no employees other than the directors during the period, and the directors received no emoluments for their services during the period.

3. Exceptional gain / (loss)

During the year, the immediate parent company, DG CONSTRUCTION S.A., formally waived the amount then owing to it by the company. This resulted in a credit of £390.290.

During 1995 the company disposed of its shareholding in Pandrol Seco Track Managements Limited to its joint venture partner at a loss of £265.500 and waived a loan to the joint venture company of £123.303.

4. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	Twelve Month Period to 31 December 1996 £	Twelve Month Period to 31 December 1995 £
Auditors' remuneration for audit	<u>5,000</u>	<u>1,000</u>

5. Tax on loss on ordinary activities

No tax charge arises on the loss for the period (Twelve month period to 31 December 1995: £Nil).

DESQUENNE ET GIRAL UK LIMITED

6. Creditors

Amounts falling due within one year

	31 December 1996	31 December 1995
	£	£
Bank overdraft	32	-
Amounts due to ultimate parent company	-	389,380
Other creditors and accruals	8,604	3,604
	<u>8,636</u>	<u>392,984</u>

7. Called up share capital

	31 December 1996	31 December 1995
	£	£
Authorised		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
 Allotted, called up and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

8. Reserves

	Profit and loss account 1996	Profit and loss account 1995
	£	£
At 1 January 1996	(392,853)	(2,861)
Result for the period	384,117	(389,992)
At 31 December 1996	<u>(8,736)</u>	<u>(392,853)</u>

DESQUENNE ET GIRAL UK LIMITED

9. Reconciliation of movements in equity shareholders' funds

	Twelve Month Period to 31 December 1996 £	Twelve Month Period to 31 December 1995 £
<i>Profit</i> Loss for the period	384.117	(389.992)
Net increase / (reduction) in equity shareholders' funds	<u>384.117</u>	<u>(389.992)</u>
Opening equity shareholders' funds	(392.853)	(2.761)
Closing equity shareholders' funds	<u><u>(8.736)</u></u>	<u><u>(392.753)</u></u>

10. Ultimate parent company

The directors consider the ultimate parent company to be Desquenne et Giral S.A., a company incorporated in France.

Copies of the ultimate parent company's consolidated financial statements may be obtained from :

Desquenne et Giral S.A., Le Secrétaire Général, 13 Rue Le Sueur, B.P. 321-16, 75767 Paris Cedex 16.