

HOW ENGINEERING SERVICES SOUTHERN LIMITED

Report and Financial Statements

31st December 1998



REPORT OF THE DIRECTORS

The directors present their report and the audited accounts for the year ended 31st December 1998.

ACTIVITIES

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

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were:

C Gateley (Appointed 27/8/98)

G G R Ludlow (Appointed 19/6/98)

C S Dixon (Resigned 20/4/98)

A G Lawson (Appointed 19/6/98, resigned 31/1/99)

TKP Stead (Appointed 1/4/98, resigned 16/8/98)

D Summerfield (Resigned 31/7/98)

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

None of the above directors has any beneficial interest in the shares of the company.

The interests of the directors at 31st December 1998 in the capital of the ultimate parent undertakings are as stated below.

	<u>Shares of</u> <u>10p each</u>		<u>Options for</u> <u>Shares of</u> <u>10p each</u>		<u>Exercise</u> <u>Price</u>	<u>Period of</u> <u>Exercise</u>	
	1.1.98*	31.12.98	1.1.98*	31.12.98	p	From	To
C G R Ludlow	-	-	51,957	91,957	199 - 268	18/6/2000	17/6/2007
C Gateley	-	-	-	15,000	212	7/10/2001	6/10/2008

* or date of appointment


No options to subscribe for shares of 10p each in the ultimate parent undertaking were exercised by directors during the year to 31st December 1998. The market price of the shares at 31st December 1998 was 218p. The range of closing prices during the year was 194p to 306p.

The directors have no other interest in any other group undertaking (1997 - none).

AUDITORS

The company proposes to pass a Special Resolution at the Annual General Meeting exempting itself from the obligation to appoint auditors under Section 384 of Companies Act 1985.

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



M.J. Stock

Secretary

Intersection House
110 Birmingham Road
West Bromwich
West Midlands
B70 6RX

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 and of the profit or loss 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.

AUDITORS' REPORT TO THE MEMBERS OF HOW ENGINEERING SERVICES SOUTHERN LIMITED

We have audited the financial statements on page 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 circumstances of the company 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 as at 31st December 1998 and of the 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

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

17 June 1999

BALANCE SHEET AS AT 31 ST DECEMBER 1998

	Note	1998 £	1997 £
CREDITORS: amounts falling due within one year	2	<u>(267,342)</u>	<u>(267,342)</u>
REPRESENTED BY:			
CAPITAL AND RESERVES			
Called up share capital	3	10,000	10,000
Other reserves		37,651	37,651
Profit and loss account		<u>(314,993)</u>	<u>(314,993)</u>
EQUITY SHAREHOLDERS' DEFICIT		<u>(267,342)</u>	<u>(267,342)</u>

9 June

These financial statements were approved by the Board of Directors on 1999.
Signed on behalf of the Board of Directors

G G R Ludlow
Director



MJ Stock
Secretary



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 ST DECEMBER 1998

1. ACCOUNTING POLICIES

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

The parent undertaking, How Engineering Services Limited, has informed How Engineering Services Southern Limited that it intends to make available the finance necessary to satisfy all agreed creditors reflected in the Balance Sheet at 31st December 1998.

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

2. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Amounts owed to Group undertakings	<u>267,342</u>	<u>267,342</u>

3. CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised allotted and fully paid 10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

4. ULTIMATE PARENT COMPANY

The company's immediate parent undertaking is How Engineering Services Limited and the ultimate parent undertaking and ultimate controlling party is Tilbury Douglas Plc, which is incorporated in Great Britain. The Group accounts for Tilbury Douglas Plc are available from the Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

The company has taken advantage of the exemption contained in Financial Reporting Standard 8 - Related Party Transactions not to report transactions with Tilbury Douglas Group related parties which are disclosed in the consolidated financial statements of Tilbury Douglas Plc.