

HAWK DEVELOPMENT MANAGEMENT PLC
DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1999

Berg Kaprow Lewis
Chartered Accountants
35 Ballards Lane
London

N3 1XW



HAWK DEVELOPMENT MANAGEMENT PLC

COMPANY INFORMATION

Directors W W Frischmann CBE

S S Prabhu

Secretary N W Carmichael

Company number 1586826

Registered office 5 Manchester Square
London
W1A 1AU

Auditors Berg Kaprow Lewis
Chartered Accountants
35 Ballards Lane
London
N3 1XW

Bankers Barclays Bank plc
P. O. Box 544
54 Lombard Street
London
EC3V 9EX

HAWK DEVELOPMENT MANAGEMENT PLC

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HAWK DEVELOPMENT MANAGEMENT PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1999

The directors present their report and financial statements for the year ended 31 March 1999.

Principal activities and review of the business

The principal activity of the company during the year was that of management of property assets and construction in all aspect.

The company has been active in seeking and procuring Private Finance Initiative and development management opportunities and it is the intention of the Board to develop the company and gain future success in property development, development management and project management.

The company has continued to undertake development work for the London Clinic, and in the Middle East, with a project to develop the Bahrain Golf Course.

The Board expresses its thanks to the employees for their support and dedication during the period under review.

All members of staff employed by the group as a whole were available to any company within the the group dependent upon the demand or resources of the constituent company.

Results and dividends

The results for the year are set out on page 4.

Directors

The following directors have held office since 1 April 1998:

W W Frischmann CBE

S S Prabhu

T Osborne

(Resigned 26 June 1998)

Directors' interests

None of the directors had any beneficial interests in the shares of the company.

At 31 March 1998, The Trevor Osborne Property Group Limited, a company controlled by Trevor Osborne , held 50% of the issued ordinary shares. The other 50% of the issued ordinary shares were held by Universal Project Management Services Limited, a wholly - owned subsidiary undertaking of Pell Frischmann Group Ltd, controlled by W W Frischmann, S S Prabhu and R S Frischmann.

As from 26 June 1998 the company became wholly owned by Universal Project Management Limited, itself a wholly owned subsidiary of the Pell Frischmann Group, and it is the intention of the Board to develop the company and gain future success in property development, management and project management.

Directors' and officers' insurance

Directors' and officers' liability insurance has been maintained by the company during the year.

Year 2000

The group has implemented the changes necessary to make its accounting and management information systems Year 2000 compliant and has suffered no immediate financial or operational consequences as a result of the Year 2000 date change.

HAWK DEVELOPMENT MANAGEMENT PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1999

Creditor payment policy

The company follows a standard code for payment of creditors and ensures that the finance department is aware of this policy and as far as possible adheres to it. It is the company's policy to agree terms of payment with each supplier and to abide as far as possible by those terms. During the year the average time taken to pay was 60 days approximately.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Berg Kaprow Lewis be reappointed as auditors of the company will be put to the Annual General Meeting.

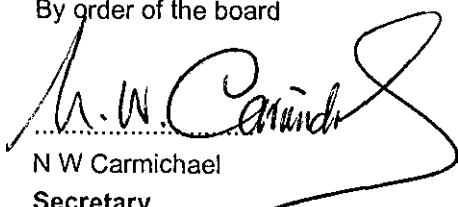
Directors' responsibilities

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 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;
- 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.

By order of the board



N W Carmichael
Secretary
27/4/2000

HAWK DEVELOPMENT MANAGEMENT PLC

AUDITORS' REPORT TO THE SHAREHOLDERS OF HAWK DEVELOPMENT MANAGEMENT PLC

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

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 as at 31 March 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Berg Kaprow Lewis

28th April 2000

Chartered Accountants
Registered Auditor

Chartered Accountants
35 Ballards Lane
London
N3 1XW

HAWK DEVELOPMENT MANAGEMENT PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1999

	Notes	1999 £	1998 £
Turnover	2	913,641	1,721,941
Cost of sales		(391,487)	(1,163,213)
Gross profit		522,154	558,728
Administrative expenses		(445,313)	(578,163)
Other operating income		-	27,116
Operating profit	3	76,841	7,681
Other interest receivable and similar income	4	1,507	58
Interest payable and similar charges	5	(15)	(21)
Profit on ordinary activities before taxation		78,333	7,718
Tax on profit on ordinary activities	6	(22,564)	21,393
Profit on ordinary activities after taxation	12	55,769	29,111

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

HAWK DEVELOPMENT MANAGEMENT PLC

BALANCE SHEET AS AT 31 MARCH 1999

	Notes	1999 £	£	1998 £	£
Fixed assets					
Tangible assets	7		11,874		19,934
Current assets					
Debtors	8	738,327		1,295,636	
Cash at bank and in hand		6,353		52,369	
		<u>744,680</u>		<u>1,348,005</u>	
Creditors: amounts falling due within one year	9	<u>(638,479)</u>		<u>(1,305,633)</u>	
Net current assets			106,201		42,372
Total assets less current liabilities			<u>118,075</u>		<u>62,306</u>
Capital and reserves					
Called up share capital	11		12,502		12,502
Profit and loss account	12		105,573		49,804
Shareholders' funds - equity interests	13		<u>118,075</u>		<u>62,306</u>

The financial statements were approved by the Board on 27 April 2000



W W Frischmann CBE
Director

HAWK DEVELOPMENT MANAGEMENT PLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 1999

	1999 £	1998 £
Net cash (outflow)/inflow from operating activities	(71,136)	78,953
Returns on investments and servicing of finance		
Interest received	1,507	28
Interest paid	(15)	(21)
	<u>1,492</u>	<u>7</u>
Net cash inflow for returns on investments and servicing of finance	1,492	7
Taxation	21,829	-
Capital expenditure		
Receipts from sales of tangible assets	9,250	3,700
	<u>9,250</u>	<u>3,700</u>
Net cash inflow for capital expenditure	9,250	3,700
	<u>(38,565)</u>	<u>82,660</u>
Net cash (outflow)/inflow before management of liquid resources and financing	(38,565)	82,660
	<u>(38,565)</u>	<u>82,660</u>
(Decrease)/increase in cash in the year	<u>(38,565)</u>	<u>82,660</u>

HAWK DEVELOPMENT MANAGEMENT PLC

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 1999

1	Reconciliation of operating profit to net cash (outflow)/inflow from operating activities		1999	1998
			£	£
	Operating profit		76,841	7,681
	Depreciation of tangible assets		(1,870)	7,304
	(Profit)/loss on disposal of tangible assets		(3,060)	613
	Decrease/(increase) in debtors		533,216	(444,595)
	(Decrease)/Increase in creditors within one year		(680,003)	507,950
	Net cash (outflow)/inflow from operating activities		(71,136)	78,953
2	Analysis of net funds	1 April 1998	Cash flow	Other non- 31 March 1999 cash changes
		£	£	£
	Net cash:			
	Cash at bank and in hand	52,369	(46,016)	6,353
	Bank overdrafts	(11,236)	7,451	(3,785)
		41,133	(38,565)	2,568
	Debt:			
	Net funds	41,133	(38,565)	-
				2,568
3	Reconciliation of net cash flow to movement in net funds		1999	1998
			£	£
	(Decrease)/increase in cash in the year		(38,565)	81,380
	Cash inflow from increase in debt		-	-
	Movement in net funds in the year		(38,565)	81,380
	Opening net funds/(debt)		41,133	(40,247)
	Closing net funds		2,568	41,133

HAWK DEVELOPMENT MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

1 Accounting policies

1.1 Accounting convention

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

1.2 Turnover

Turnover represents fees receivable and reimbursables for services rendered exclusive for Value Added Tax.

Turnover is included in respect of long-term contracts according to the stage of completion of each contract.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	
Computer equipment	25% Straight line
Fixtures and equipment	25% Reducing balance
Motor vehicles	25% Reducing balance

No depreciation is provided on freehold buildings as it is the company's policy to maintain these so as to extend their useful lives.

1.4 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 Pensions

The majority of the company's employees belong to the Hawk Development Management Plc Retirement and Death Benefits Scheme which is funded by both employer's and employees' contributions and which is of the defined benefit type. The pension cost is assessed in accordance with the advice of an independent qualified actuary.

Contributions are charged to the profit and loss account so as to spread the cost of pensions over the estimated working lives of employees. All material shortfalls or surpluses in the pension fund are spread over the average remaining service lives of current employees.

1.6 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.7 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

HAWK DEVELOPMENT MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

1.8 Long term contracts

Long-term contracts are assessed on a contract by contract basis and are reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Where the outcome of each long-term contract can be assessed with reasonable certainty before its conclusion the attributable profit is recognised in the profit and loss account as the difference between the reported turnover and related costs for that contract.

2 Turnover

Geographical market

	Turnover	
	1999	1998
	£	£
United Kingdom	784,867	1,626,547
Bahrain	128,774	95,394
	<u>913,641</u>	<u>1,721,941</u>

3 Operating profit

	1999	1998
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	1,871	7,304
Operating lease rentals	8,084	8,947
Auditors' remuneration	5,000	19,500
	<u>14,955</u>	<u>35,751</u>

4 Other interest receivable and similar income

	1999	1998
	£	£
Bank interest	177	28
Other interest	1,330	30
	<u>1,507</u>	<u>58</u>

5 Interest payable

	1999	1998
	£	£
On bank loans and overdrafts	15	21
	<u>15</u>	<u>21</u>

HAWK DEVELOPMENT MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

6	Taxation	1999 £	1998 £
	U.K. current year taxation		
	U.K. corporation tax at 31% (1998 - 21%)	23,000	2,700
	Prior years		
	U.K. corporation tax	(436)	(24,093)
		<u>22,564</u>	<u>(21,393)</u>

7	Tangible fixed assets	Land and buildings Freehold £	Computer equipment £	Fixtures and equipment £	Motor vehicles £	Total £
	Cost					
	At 1 April 1998	7,558	22,858	11,806	18,757	60,979
	Disposals	-	-	-	(14,857)	(14,857)
	At 31 March 1999	<u>7,558</u>	<u>22,858</u>	<u>11,806</u>	<u>3,900</u>	<u>46,122</u>
	Depreciation					
	At 1 April 1998	-	20,909	8,496	11,640	41,045
	On disposals	-	-	-	(8,667)	(8,667)
	Charge for the year	-	815	824	231	1,870
	At 31 March 1999	<u>-</u>	<u>21,724</u>	<u>9,320</u>	<u>3,204</u>	<u>34,248</u>
	Net book value					
	At 31 March 1999	<u>7,558</u>	<u>1,134</u>	<u>2,486</u>	<u>696</u>	<u>11,874</u>
	At 31 March 1998	<u>7,558</u>	<u>1,949</u>	<u>3,310</u>	<u>7,117</u>	<u>19,934</u>

8	Debtors	1999 £	1998 £
	Trade debtors	88,113	48,879
	Amounts owed by parent and fellow subsidiary undertakings	1,645	-
	Corporation tax	-	24,093
	Other debtors	1,146	8,096
	Prepayments and accrued income	647,423	1,214,568
		<u>738,327</u>	<u>1,295,636</u>

HAWK DEVELOPMENT MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

9 Creditors: amounts falling due within one year	1999 £	1998 £
Bank loans and overdrafts	3,785	11,236
Trade creditors	4,915	19,021
Amounts owed to parent and fellow subsidiary undertakings	578,722	-
Corporation tax	23,000	2,700
Other taxes and social security costs	14,314	7,928
Other creditors	337	1,227,646
Accruals and deferred income	13,406	37,102
	<u>638,479</u>	<u>1,305,633</u>

10 Pension costs

The company operates a defined benefit pension scheme, covering the majority of its employees, which is funded through a separate trustee administered fund.

The most recent formal actuarial valuation of the scheme was carried out as at 5 April 1995 using the projected unit method. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum, that dividends would average 4.5% per annum, salary increases would average 7% per annum and that present and future pensions would increase at the rate of 3% per annum.

At the date of the valuation, the total market value of the scheme's assets was £697,889 and the actuarial valuation of the assets was sufficient overall to cover all the benefits that had accrued to the members to that date, after allowing for assumed future increases in earnings and subject to improvements in benefits.

The actuary has recommended that the company contributes to the scheme at the rate of 9% of the pensionable salaries of the members.

The pension contributions payable by the company for the year ended 31 March 1999 were £9,210 (1998 : £26,156). The unpaid contributions at the year end, included in 'other creditors' amounted to £nil (1998 : £2,268).

11 Share capital	1999 £	1998 £
Authorised		
100,000 Ordinary shares of £ 1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
2 Ordinary shares of £ 1 each	<u>2</u>	<u>2</u>
Allotted, called up and partly paid		
49,998 Ordinary shares of 25p each	<u>12,500</u>	<u>12,500</u>

HAWK DEVELOPMENT MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

12 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 April 1998	49,804
Retained profit for the year	55,769
Balance at 31 March 1999	<u>105,573</u>

13 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Profit for the financial year	55,769	29,111
Opening shareholders' funds	62,306	33,195
Closing shareholders' funds	<u>118,075</u>	<u>62,306</u>

14 Contingent liabilities

a) There are unquantified contingent liabilities in the normal course of business arising under engineering contracts and the company is covered by professional indemnity insurance in respect of any claims.

b) The company is a member of a group for Valued Added Tax (VAT) purposes and is accordingly jointly and severally liable for VAT due and unpaid. The amount outstanding for the group at 31 March 1999 was £338,162 (1998: £354,882).

15 Financial commitments

At 31 March 1999 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1999 £	1998 £	1999 £	1998 £
Expiry date:				
Within one year	-	1,250	-	-
Between two and five years	-	-	-	11,297
	<u>-</u>	<u>1,250</u>	<u>-</u>	<u>11,297</u>

HAWK DEVELOPMENT MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

16 Directors' emoluments	1999 £	1998 £
Emoluments for qualifying services	-	58,832
Company pension contributions to money purchase schemes	-	4,620
	<u>-</u>	<u>63,452</u>
	<u>-</u>	<u>63,452</u>

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 0 (1998 - 2).

17 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	1999 Number	1998 Number
Administration	1	4
Engineering	3	9
Management	-	2
	<u>4</u>	<u>15</u>
	<u>4</u>	<u>15</u>

Employment costs

	£	£
Wages and salaries	113,757	423,447
Social security costs	7,173	37,447
Other pension costs	9,210	26,156
	<u>130,140</u>	<u>487,050</u>
	<u>130,140</u>	<u>487,050</u>

HAWK DEVELOPMENT MANAGEMENT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

18 Control

As from 26th June 1998, the company became a wholly owned subsidiary of Universal Project Management Services Limited, itself a wholly owned subsidiary of Pell Frischmann Group Limited.

The ultimate parent undertaking is Pell Frischmann Group Limited, a company incorporated in England and Wales, which prepares group financial statements.

Copies of the group financial statements of Pell Frischmann Group Limited can be obtained from Mr N W Carmichael, the company secretary, at the following address:

5 Manchester Square
London W1A 1AU
Tel: 0171 486-3661

19 Related party transactions

The company has taken advantage of the exemptions conferred by Financial Reporting Standard No 8 in respect of disclosure of transactions with other group undertakings.

The company paid rent in the sum of £44,938 and dilapidation expenses of £80,000 at arms length to Sandor Property Management Services Limited, a company in which associates of W W Frischmann are directors.