

STEER DAVIES & GLEAVE LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1998



STEER DAVIES & GLEAVE LIMITED

COMPANY INFORMATION

Directors

J.K. Steer
P.D. Twelftree
L.G. Willumsen
C.H. Russell
B.V. Martin
F. Beltrandi

Secretary

D.A. Nutt

Company Number

1883830

Registered Office

Barbican House
26-34 Old Street
London EC1V 9HL

Business Address

32 Upper Ground
London SE1 9PD

STEER DAVIES & GLEAVE LIMITED

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STEER DAVIES & GLEAVE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 1998

The directors present their report together with the audited financial statements for the year ended 31 March 1998.

Principal Activities

The company's principal activity continued to be that of the provision of transport planning consultancy services to the public and private sectors.

Review of Business and Future Developments

The state of the company's affairs is as shown by the attached financial statements. The company's performance has further improved in 1997/8 with fees earned of £7,257,805 (1996/7 £6,476,005) and profit before tax of £426,471 (1996/7 £376,856).

Profit after taxation amounted to £291,471 (1996/7 £198,639). The directors do not recommend payment of a dividend and the retained profit has been transferred to reserves.

The company opened a new branch in Madrid, Spain in March 1998. It did not start trading until after the year end.

Fixed Assets

Details of movements in fixed assets are set out in the notes to the accounts.

Directors

The directors who served during the year and their beneficial interests in the company's issued ordinary share capital of £0.01 each were:

	31 March 1998	1 April 1997
J.K. Steer	2,680,983	2,680,983
P.D. Twelftree	558,398	802,300
L.G. Willumsen	850,679	1,094,581
C.H. Russell	309,629	309,629
B.V. Martin	-	-

Mr F. Beltrandi was appointed a director on 1 April 1998.

Charitable and Political Contributions

The company made a charitable contribution of £500 to Save the Children Fund during the year. The company made no political donations during the year.

STEER DAVIES & GLEAVE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 1998

Year 2000 and the Euro

The company is aware that there is a potential risk to operating activities due to the effect of the Year 2000 date change on computer systems and other equipment. An internal programme is in hand to check and ensure that all computer dependant systems will be compliant by the end of 1998. The costs of this programme are not expected to be significant.

The introduction of the single European currency on 1 January 1999 will affect transactions with clients and with the company's offices in Spain and Italy. Preparations to deal with changes required to computer and other systems have been made. The estimated costs of the changes are not material.

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 the company's affairs and of the profit or loss for that year. In preparing these 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, subject to any material departures disclosed and explained in the accounts;

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 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.

This report was approved by the board and signed on its behalf by:


Secretary: D.A. Nutt

Date: 5 October 1998

**AUDITORS' REPORT TO THE
SHAREHOLDERS OF STEER DAVIES & GLEAVE LIMITED**

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 7 and 8.

Respective Responsibilities of Directors and Auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and 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 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 the 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Blackstone Franks & Co

Blackstone Franks & Co.

Chartered Accountants and Registered Auditors

Barbican House

26 - 34 Old Street

London

EC1V 9HL

Date: 6 October 1998

Ref: DSF/S410

STEER DAVIES & GLEAVE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1998

	Notes	1998 £	1997 £
Fees Earned	2	<u>7,257,805</u>	<u>6,476,005</u>
Change in work in progress		(78,726)	225,536
Other operating income		25,868	46,519
Other external charges		(1,281,007)	(1,325,110)
Staff Costs	5	(3,795,632)	(3,288,765)
Depreciation and other amounts written off tangible and intangible fixed assets		(130,187)	(152,364)
Other operating charges		<u>(1,551,682)</u>	<u>(1,566,925)</u>
Operating Profit	3	<u>446,439</u>	<u>414,896</u>
Profit for the Year before Interest		446,439	414,896
Other interest receivable and similar income		5,432	590
Interest Payable and Similar Charges	4	<u>(25,400)</u>	<u>(38,630)</u>
Profit on Ordinary Activities Before Tax		426,471	376,856
Taxation	6	<u>(135,000)</u>	<u>(178,217)</u>
Profit on Ordinary Activities After Tax		291,471	198,639
Retained Profit Brought Forward		<u>761,215</u>	<u>562,576</u>
Retained Profit Carried Forward		<u><u>1,052,686</u></u>	<u><u>761,215</u></u>

All amounts relate to continuing activities.

There were no gains and losses for 1998 or 1997 other than those included in the profit and loss account.

STEER DAVIES & GLEAVE LIMITED

BALANCE SHEET

AS AT 31 MARCH 1998

	Notes	£	1998 £	£	1997 £
Fixed Assets					
Tangible assets	7		375,999		304,480
Investments	8		2,468		2,468
			<u>378,467</u>		<u>306,948</u>
Current Assets					
Work in progress	10	225,509		304,235	
Debtors	11	2,140,851		1,923,968	
Cash at bank and in hand		333,424		46,746	
		<u>2,699,784</u>		<u>2,274,949</u>	
Creditors: Amounts Falling Due Within One Year	12	(1,743,150)		(1,505,682)	
Net Current Assets			<u>956,634</u>		<u>769,267</u>
Total Assets Less Current Liabilities			<u>1,335,101</u>		<u>1,076,215</u>
Creditors: Amounts Falling Due After More Than One Year	13		<u>(151,419)</u>		<u>(184,004)</u>
			<u>1,183,682</u>		<u>892,211</u>
Capital and Reserves					
Share capital	16		60,583		60,583
Share premium account			70,413		70,413
Profit and loss account			1,052,686		761,215
Shareholders' Funds	20		<u>1,183,682</u>		<u>892,211</u>

These financial statements were approved by the board and signed on its behalf by:

Director: J.K. Steer

Director: P.D. Twelftree

Date: 5 October 1998

STEER DAVIES & GLEAVE LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 1998

	Notes	1998 £	1997 £
Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities			
Operating profit		446,439	414,896
Depreciation		131,864	106,570
Profit on sale of fixed assets		(1,677)	45,794
Decrease in stocks		78,726	(225,536)
Increase in debtors		(216,883)	(266,844)
Increase in creditors		398,751	(25,518)
Net Cash Inflow from Operating Activities		837,220	49,362

CASH FLOW STATEMENT

Net Cash Inflow from Operating Activities		837,220	49,362
Returns on Investments and Servicing of Finance	18	(19,968)	(38,040)
Taxation		(141,202)	(77,672)
Capital Expenditure and Financial Investment	18	(201,706)	(157,713)
Management of Liquid Resources	18	51	(2,524)
Financing	18	(45,542)	(46,535)
Increase in Cash		428,853	(273,122)

Reconciliation of Net Cash Flow to Movement in Net Debt

Increase in Cash in the Year		428,853	(273,122)
Cash outflow from decrease in net debt and lease financing	19	45,542	46,535
Decrease in Net Debt	19	474,395	(226,587)
Net Debt at 1st April 1997		(381,356)	(166,648)
Net Funds/(Debt) at 31st March 1998	19	93,039	(393,235)

STEER DAVIES & GLEAVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1998

1 Accounting Policies

Basis of Accounting

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

The company is exempt from the requirement to prepare group financial statements by virtue of section 248 of the Companies Act 1985. These accounts therefore present information about the company as an individual undertaking and not about its group.

Fees Earned

Fees earned are the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

Depreciation

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets over their expected useful lives. The rates and periods generally applicable are:

Short leasehold land and buildings	10 % or over lease term, whichever is higher
Motor vehicles	25% per annum on cost
Office equipment	10% per annum on cost
Computer equipment	25% per annum on cost

Investments

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

Work in progress

Work in progress has been valued at cost, including appropriate overhead expenses less any foreseeable losses to completion of contracts.

Deferred Taxation

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Debit balances arising in respect of advanced corporation tax on dividends payable or proposed are carried forward to the extent that they are expected to be recoverable.

Foreign Currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Where exchange differences result from the translation of foreign currency borrowings raised to acquire foreign assets they are taken to reserves and offset against the differences arising from the translation of those assets. All other exchange differences are dealt with through the profit and loss account.

STEER DAVIES & GLEAVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1998

Contribution to Pension Funds

The company makes defined contributions towards staff pensions. The pension cost charge in the accounts represents amounts paid and payable by the company each year under the terms of staff employment contracts.

Leased Assets

Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the Profit and Loss Account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the Profit and Loss Account on a straight line basis over the lease term.

2 Fees Earned

Fees earned represent billings for professional fees and reimbursable expenses in respect of the proportion of work completed. Fees earned are stated net of Value Added Tax.

Segmental reporting, analysis of fees earned and profit by activity and geographical markets have been excluded as the directors consider such disclosure would be prejudicial to the interests of the company.

Fees earned and profit on ordinary activities is attributable to one continuing activity, the provision of transport planning consultancy to the public and private sector.

3 Operating Profit

The operating profit is arrived at after charging or (crediting):	1998	1997
	£	£
Depreciation of owned assets	121,924	82,062
Depreciation of assets held under finance leases and hire purchase contracts	9,940	24,508
(Profit)/loss on disposal of fixed assets	(1,677)	45,794
Operating lease rentals - plant and machinery	48,211	56,339
Operating lease rentals - motor vehicles	-	35,906
Operating lease rentals - land and buildings	201,052	194,783
Auditors' remuneration	12,794	13,500
Exceptional item	-	50,000
Operating lease rental income - Land and buildings	(25,868)	(46,519)

The prior year exceptional item relates to a provision for VAT liability.

STEER DAVIES & GLEAVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1998

4 Interest Payable and Similar Charges	1998	1997
	£	£
Bank overdrafts and loans repayable within five years, not by instalments	<u>21,793</u>	<u>17,306</u>
	21,793	17,306
Finance leases and hire purchase contracts	<u>3,334</u>	<u>6,194</u>
Other interest payable	<u>273</u>	<u>15,130</u>
	<u>25,400</u>	<u>38,630</u>

5 Directors and Employees

Staff costs, including directors' remuneration, were as follows:

	1998	1997
	£	£
Wages and salaries	3,006,600	2,720,263
Social security costs	282,685	283,255
Other pension costs	235,372	105,247
Staff bonus	270,975	180,000
	<u>3,795,632</u>	<u>3,288,765</u>

The average weekly number of employees, including directors, during the year was as follows:

	1998	1997
	Number	Number
Management and administration	<u>112</u>	<u>101</u>

Directors' emoluments

	1998	1997
	£	£
Emoluments	437,724	357,798
Directors' pension contributions	40,663	14,350
	<u>478,387</u>	<u>372,148</u>

Retirement benefits were accruing to directors under schemes as follows:-

	1998	1997
	Number	Number
Money purchase schemes	<u>5</u>	<u>5</u>

STEER DAVIES & GLEAVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1998

The highest paid director received emoluments and benefits as follows:-

	1998	1997
	£	£
Emoluments	110,413	98,213
Contributions to a money purchase pension scheme	11,119	3,080
	<u>121,532</u>	<u>101,293</u>

6 Taxation

	1998	1997
	£	£
Based on the profit for the year		
UK corporation tax at 31% (1997: 33%)	135,000	166,000
	<u>135,000</u>	<u>166,000</u>
Prior periods		
UK corporation tax	-	12,217
	<u>135,000</u>	<u>178,217</u>

7 Tangible Fixed Assets

	Short Leasehold Land and Buildings	Motor Vehicles	Office Equipment	Computer Equipment	Total
Cost	£	£	£	£	£
At 1 April 1997	20,730	19,856	81,551	726,183	848,320
Additions	-	30,442	22,083	157,191	209,716
Disposals	-	(19,856)	(13,635)	(67,073)	(100,564)
At 31 March 1998	<u>20,730</u>	<u>30,442</u>	<u>89,999</u>	<u>816,301</u>	<u>957,472</u>
Depreciation					
At 1 April 1997	5,418	19,856	21,793	496,773	543,840
Charge for the year	4,146	5,700	9,558	112,460	131,864
Disposals	-	(19,856)	(13,635)	(60,740)	(94,231)
At 31 March 1998	<u>9,564</u>	<u>5,700</u>	<u>17,716</u>	<u>548,493</u>	<u>581,473</u>
Net Book Value					
At 31 March 1998	<u>11,166</u>	<u>24,742</u>	<u>72,283</u>	<u>267,808</u>	<u>375,999</u>
At 31 March 1997	<u>15,312</u>	<u>-</u>	<u>59,758</u>	<u>229,410</u>	<u>304,480</u>

The net book value of tangible fixed assets of £375,999 (1997:£304,480) includes an amount of £56,650 (1997:£42,398) of assets held under hire purchase contracts. Depreciation charged in the year on these assets amounted to £9,940 (1997:£24,508).

STEER DAVIES & GLEAVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1998

8 Fixed Assets Investments

	Shares in Group Undertakings	Investments Other than Loans	Total
Cost	£	£	£
At 1 April 1997	103	2,365	2,468
At 31 March 1998	103	2,365	2,468
Net Book Value			
At 31 March 1998	103	2,365	2,468
At 31 March 1997	103	2,365	2,468

9 Subsidiary Undertakings

Details of the subsidiary undertakings are:

Name of company	Country of registration	Holding	Proportion of shares held	Nature of business
SDG International Limited	England	Ordinary shares of £1 each	100%	Dormant
Steer Davies Gleave Limited	Eire	Ordinary shares of £1 each	100%	Dormant
Heathrow CityLink Limited	England	Ordinary shares of £1 each	100%	Dormant
Kozlekedes KFT	Hungary	Capital stock	5%	Transport Consultancy

10 Work in Progress

	1998	1997
	£	£
Work in progress	225,509	304,235

STEER DAVIES & GLEAVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1998

11 Debtors	1998	1997
	£	£
Trade debtors	1,565,560	1,331,430
Other debtors	133,930	66,479
Prepayments and accrued income	441,361	526,059
	<u>2,140,851</u>	<u>1,923,968</u>

Included in the above are amounts falling due after more than one year as follows:

Other debtors - Rent deposit	<u>9,135</u>	<u>14,026</u>
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12 Creditors: Amounts Falling Due Within One Year	1998	1997
	£	£
Other loans due within one year (Note 14)	13,127	19,946
Bank loans and overdrafts (Note 14)	66,853	208,977
Obligations under hire purchase and finance lease contracts (Note 15)	6,513	12,651
Trade creditors	362,590	313,356
Amounts owed to parent and fellow subsidiary undertakings	100	100
Corporation tax	164,343	170,545
Other taxes and social security	245,488	229,718
Other creditors	1,071	3,289
Accruals and deferred income	883,065	547,100
	<u>1,743,150</u>	<u>1,505,682</u>

The bank loans and overdrafts are secured by a fixed and floating charge over all of the company's assets.

13 Creditors: Amounts Falling Due After One Year	1998	1997
	£	£
Other loans (Note 14)	135,000	180,250
Obligations under hire purchase and finance lease contracts (Note 15)	16,419	3,754
	<u>151,419</u>	<u>184,004</u>

The loan is secured on the company's assets.

14 Loans	1998	1997
	£	£
Amounts repayable:		
In one year or less, or on demand	79,980	228,923
Between two and five years	135,000	180,250
	<u>214,980</u>	<u>409,173</u>

The bank loans and overdrafts are secured by a debenture on the company's assets. The bank loan bears interest at 12.25 %. The other loan bears interest at 3% over Barclays bank base rate, and is secured by a debenture on the company's assets.

STEER DAVIES & GLEAVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1998

15	Obligations Under Hire Purchase and Finance Leases	1998	1997
		£	£
	Obligations under hire purchase and finance lease contracts are analysed:		
	Current obligations	6,513	12,651
	Obligations due between one and five years	16,419	3,754
		<u>22,932</u>	<u>16,405</u>
16	Share Capital	1998	1997
		£	£
	Authorised Equity Shares		
	100,000,000 Ordinary shares of £0.01 each	<u>1,000,000</u>	<u>1,000,000</u>
	Allotted, called up and fully paid Equity Shares		
	6,058,274 Ordinary shares of £0.01 each	<u>60,583</u>	<u>60,583</u>

17 Pension Scheme

The company operates a defined contribution pension scheme for the benefit of employees in accordance with the terms of their employment contracts. These defined contributions were paid to a group pension scheme up to 31 July 1995, and directly to employees' personal pension schemes thereafter. The pension cost charge represents contributions payable by the company, and amounted to £194,709 (1997: £90,897), and included an additional 3% paid this year. There were no contributions outstanding at year end.

There is a small self administered pension scheme for the benefit of certain directors. No contributions are payable to this scheme.

STEER DAVIES & GLEAVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1998

18	Gross Cash Flows	1998 £	1997 £
	Returns on Investments and Servicing of Finance		
	Interest received	5,432	590
	Interest paid	(22,066)	(32,436)
	Interest element of finance lease rentals payment	(3,334)	(6,194)
	Net cash outflow for returns on investments and servicing of finance	<u>(19,968)</u>	<u>(38,040)</u>
	Capital Expenditure and Financial Investment		
	Payments to acquire tangible fixed assets	(209,716)	(157,894)
	Proceeds from the sale of fixed assets	8,010	181
	Net cash outflow from investing activities	<u>(201,706)</u>	<u>(157,713)</u>
	Management of Liquid Resources		
	Cash withdrawn from deposit	51	(2,524)
	Net cash inflow for management of liquid resources	<u>51</u>	<u>(2,524)</u>
	Financing		
	Decrease/Increase in other loans due within 1 year	(6,819)	5,099
	Decrease in other loans due in more than 1 year	(45,250)	(22,851)
	Capital element of finance lease rentals payments	6,527	(28,783)
	Net cash outflow for financing	<u>(45,542)</u>	<u>(46,535)</u>

19	Analysis of Changes in Net Debt	1997 £	Cash flows £	1998 £
	Cash at bank and in hand	44,222	286,729	330,951
	Overdrafts	(208,977)	142,124	(66,853)
		<u>(164,755)</u>	428,853	264,098
	Debt due within 1 year	(19,946)	6,819	(13,127)
	Debt due after 1 year	(180,250)	45,250	(135,000)
	Finance leases	(16,405)	(6,527)	(22,932)
		<u>(216,601)</u>	45,542	(171,059)
		<u>(381,356)</u>	474,395	93,039

STEER DAVIES & GLEAVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1998

20 Reconciliation of Shareholders' Funds	1998	1997
	£	£
Profit for the financial year	291,471	198,639
Increase in the shareholders' funds	291,471	198,639
Opening shareholders' funds	892,211	693,572
Closing shareholders' funds	1,183,682	892,211

21 Operating Lease Commitments

At 31 March 1998 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	1998	1997	1998	1997
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	-	674
Between two and five years	-	33,842	27,023	35,118
After five years	213,078	168,710	-	-
	213,078	202,552	27,023	35,792

22 Contingent Liabilities

Guarantees, bills discounted and other contingent liabilities total £55,121 (1997: £24,726) as at 31 March 1998.

23 Related Parties

During the year a director, BV Martin, provided services to the company, at commercial rates, amounting to £45,512 (1997: £33,458).

The company has received a loan of £135,000 from the directors' pension fund, in which JK Steer, L G Willumsen, PD Twelftree, and CH Russell have an interest as beneficiaries. The loan carries an interest charge of 3% over Barclays Bank base rate, and is secured on the company's assets.

The company is controlled by the board of directors.