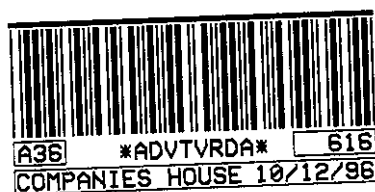


STEER DAVIES & GLEAVE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1996



**Blackstone
Franks**

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COMPANY INFORMATION

COMPANY NUMBER

1883830

DIRECTORS

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

SECRETARY

D.A. Nutt

REGISTERED OFFICE

Barbican House
26-34 Old Street
London EC1V 9HL

BUSINESS ADDRESS

32 Upper Ground
London
SE1 9PD

REPORT OF THE DIRECTORS

The directors present their report and financial statements for the year ended 31 March 1996.

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Principal activity

The principal activity of the company is the provision of transport planning consultancy to the public and private sectors.

Business review and future developments

The state of the company's affairs is as shown on the attached financial statements. The company's performance, which improved both in 1993/94 and 1994/95, has further improved in 1995/96 with turnover of £5,357,392 (1994/95 £4,688,617) and profit before tax of £300,471 (1994/95 £196,358).

The company's results as shown on the attached financial statements include as from April 1 1995 the results of the Irish operation based in Dublin, previously trading as a subsidiary of Steer Davies & Gleave Limited but from 1 April 1995 trading as a branch of Steer Davies & Gleave Limited.

Results and dividends

The profit for the year after taxation amounted to £225,886 (1995: £187,820). The directors do not recommend a payment of dividend and the retained profit has been transferred to reserves.

REPORT OF THE DIRECTORS (continued)

Fixed assets

The changes in the fixed assets are shown in the notes to the financial statements.

Directors and their interests

The directors who served during the year and their interests in the share capital of the company were as follows:

| | Ordinary shares of £0.01 each | |
|-----------------------|-------------------------------|-----------|
| | 1996 | 1995 |
| J.K. Steer (Chairman) | 2,755,983 | 2,755,983 |
| P.D. Twelftree | 802,300 | 782,300 |
| L.G. Willumsen | 1,094,581 | 1,074,929 |
| C.H. Russell | 185,058 | 183,058 |
| B.V. Martin | - | - |

Close company provisions

So far as the directors are aware the company was, at the end of the accounting period, a close company within the meaning of the Income and Corporation Taxes Act 1988.

Auditors

Pursuant to a written resolution of the members, the company has dispensed with the holding of Annual General Meetings, the requirement to lay accounts at such meetings, and the obligations to appoint auditors annually. Messrs. Blackstone Franks & Co., Chartered Accountants, will therefore continue as auditors.

BY ORDER OF THE BOARD


Secretary: D.A. Nutt

Date: 22 October 1996

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

We have audited the financial statements on pages 5 to 17 which have been prepared under the historical cost convention as modified by the revaluation of investments and the accounting policies set out on pages 8 and 9.

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

In our opinion, the company is entitled to the exemption from preparing group accounts conferred by Section 248 of the Companies Act 1985.

Blackstone Franks & Co

BLACKSTONE FRANKS & CO.

Chartered Accountants and
Registered Auditors

Barbican House
26-34 Old Street
London EC1V9HL

Date: 25 October 1996

Tel: 0171 250-3300

Ref: DSF/S410

Fax: 0171 250-1402

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 1996

| Note | | 1996 £ | 1995 £ |
|----------|--|--------------------|--------------------|
| 2 | FEES EARNED | 5,357,392 | 4,688,617 |
| | Change in work in progress | 109,684 | (19,518) |
| | External charges | 1,370,368 | 1,429,386 |
| 3 | Staff costs | 2,551,923 | 2,017,226 |
| | Depreciation | 75,510 | 60,840 |
| | Other operating charges | 895,716 | 947,016 |
| 4 | Exceptional item | - | 25,989 |
| | | (5,003,201) | (4,460,939) |
| 5 | OPERATING PROFIT | 354,191 | 227,678 |
| | Dividend receivable from group undertakings | - | 24,170 |
| 6 | Interest payable and similar charges | (53,838) | (55,490) |
| 7 | Interest receivable | 118 | - |
| | PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 300,471 | 196,358 |
| 8 | Tax on ordinary activities | (74,585) | (8,538) |
| | PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | 225,886 | 187,820 |
| | Retained profit brought forward | 336,690 | 148,870 |
| | RETAINED PROFIT CARRIED FORWARD | £562,576 | £336,690 |

CONTINUING OPERATIONS

The company acquired the business of a subsidiary during the year. The results of this acquisition are not material. There were no other activities acquired or discontinued, during the above two financial years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profit for the above two financial years.

The notes on pages 8 to 17 form part of these financial statements

BALANCE SHEET
as at 31 March 1996

| Note | | 1996 £ | 1995 £ |
|------|--|------------------|------------------|
| | FIXED ASSETS | | |
| 9 | Tangible assets | 299,131 | 193,230 |
| 10 | Investments | 2,468 | 2,468 |
| | | 301,599 | 195,698 |
| | CURRENT ASSETS | | |
| 11 | Work in progress | 78,699 | 188,383 |
| 12 | Debtors: Amounts falling due after more than one year | 10,965 | 7,097 |
| 13 | Debtors: Amounts falling due within one year | 1,646,159 | 1,260,813 |
| | Cash at bank and in hand | 96,488 | 69,334 |
| | | 1,832,311 | 1,525,627 |
| 14 | CREDITORS: Amounts falling due within one year | (1,232,710) | (1,043,962) |
| | NET CURRENT ASSETS | 599,601 | 481,665 |
| | TOTAL ASSETS LESS CURRENT LIABILITIES | 901,200 | 677,363 |
| 15 | CREDITORS: Amounts falling due after more than one year | (219,507) | (221,556) |
| | | £681,693 | £455,807 |
| | FINANCED BY: | | |
| | Capital and reserves | | |
| 17 | Called up share capital | 59,395 | 59,395 |
| 18 | Share premium | 59,722 | 59,722 |
| | Profit and loss account | 562,576 | 336,690 |
| | | £681,693 | £455,807 |

Approved by the Board and signed on its behalf by:

Director: J.K. Steer

Director: P.D. Twelftree

Date: 23 October 1996

The notes on pages 8 to 17 form part of these financial statements

CASH FLOW STATEMENT
for the year ended 31 March 1996

| Note | | 1996 £ | 1995 £ |
|------|--|----------------|-----------------|
| 21 | Net cash inflow from Operating activities | 278,113 | 445,548 |
| | Returns of investments and servicing of finance: | | |
| | Interest received | 118 | - |
| | Dividends received | 38,946 | 399 |
| | Interest paid | (53,838) | (55,490) |
| | Net cash outflow from returns on investments and servicing of finance | (14,774) | (55,091) |
| | Taxation paid | (21,371) | (43,752) |
| | Investing activities: | | |
| | Purchase of fixed assets | (181,411) | (40,251) |
| | Net cash outflow from investing activities | (181,411) | (40,251) |
| | Net cash inflow before financing | 60,557 | 306,454 |
| 22 | Financing: | | |
| | Capital element of finance lease rentals | 34,980 | (14,363) |
| | Loans | (15,815) | 98,763 |
| | Net cash inflow from financing | 19,165 | 84,400 |
| 23 | INCREASE IN CASH AND CASH EQUIVALENTS | £79,722 | £390,854 |

The notes on pages 8 to 17 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 1996

1. ACCOUNTING POLICIES**a) Accounting convention**

The financial statements have been prepared in accordance with applicable Accounting Standards under the historical cost convention, as modified by the revaluation of investments.

b) Group accounts

The company has taken advantage of the exemption from preparing group accounts as it qualifies as a medium-sized group under Section 249 of the Companies Act 1985. These financial statements present information about this company as an individual undertaking and not about its group.

c) Depreciation

Tangible fixed assets are depreciated at annual rates to write off the cost of the assets over their estimated useful lives less residual values using the following rates:

| | % per annum | method |
|--------------------|-------------|---|
| Motor vehicles | 25% | per annum on cost |
| Office equipment | 10% | per annum on cost |
| Computer equipment | 25% | per annum on cost |
| Leasehold costs | 10% | or over lease term, whichever is higher |

d) Work in progress

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

e) Deferred taxation

Provision is made at current rates of tax for future corporation tax liabilities arising from material timing differences in the treatment of items in the accounts and their treatment for tax purposes, except to the extent that the liability is not expected to arise in the foreseeable future.

f) Foreign currency transactions

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 translated into sterling at the rate of exchange ruling at the date of the transaction. All profits and losses on exchange are dealt with in the profit and loss account.

g) Hire purchase commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease. Rentals paid under operating leases are dealt with in the profit and loss account as incurred.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 1996

1. ACCOUNTING POLICIES (continued)**h) Pensions**

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

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 turnover 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.

| | 1996 £ | 1995 £ |
|---|-------------------|-------------------|
| 3. STAFF COSTS | | |
| The total remuneration, including directors, was: | | |
| Wages and salaries | 2,239,843 | 1,790,897 |
| Social security costs | 212,759 | 163,433 |
| Other pension costs | 99,321 | 62,896 |
| | £2,551,923 | £2,017,226 |

The average number of persons employed by the company, including directors, during the year was:

| | Number | Number |
|---|-----------------|----------------|
| Management and administration | 83 | 75 |
| DIRECTORS' REMUNERATION | | |
| Salaries and other emoluments | 296,607 | 236,635 |
| Benefits | 12,331 | 13,031 |
| Pension contribution | 12,125 | 5,760 |
| | £321,063 | 255,426 |
| Emoluments excluding pension contributions: | | |
| Chairman and highest paid director | £91,750 | £85,896 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 1996

3. DIRECTOR'S REMUNERATION (continued)

The number of directors (including chairman) whose emoluments, excluding pension contributions, fell into the following bands was:

| | 1996 Number | 1995 Number |
|--------------------|------------------------|------------------------|
| £ 0 to £ 5,000 | - | 1 |
| £20,001 to £25,000 | 1 | - |
| £40,001 to £45,000 | - | 1 |
| £50,001 to £55,000 | - | 2 |
| £55,001 to £60,000 | 1 | - |
| £60,001 to £65,000 | 2 | - |
| £85,001 to £90,000 | - | 1 |
| £90,001 to £95,000 | 1 | - |
| | 5 | 5 |

4. EXCEPTIONAL ITEM

| | | |
|---|---|---------|
| Provision for amounts due from subsidiaries | - | £25,989 |
|---|---|---------|

5. OPERATING PROFIT

Operating profit is stated after charging:

| | | |
|---|----------------|---------|
| Auditors' remuneration - audit | 13,245 | 16,000 |
| - non audit | 9,604 | 7,164 |
| Depreciation of owned assets | 61,837 | 49,100 |
| Depreciation of assets held under hire purchase contracts | 13,673 | 11,740 |
| Operating lease rentals - land and buildings | 189,361 | 177,401 |
| - plant and machinery | 59,424 | 77,294 |
| - motor vehicles | 38,193 | 39,438 |

And after crediting:

| | | |
|-------------------------------|---------------|--------|
| Government grants receivable | - | 69,361 |
| Operating lease rental income | | |
| Land and buildings | 36,000 | 30,000 |

6. INTEREST PAYABLE AND SIMILAR CHARGES

| | | |
|--|----------------|---------|
| On bank loans, overdrafts, and other loans wholly repayable within 5 years | 24,217 | 32,163 |
| Finance charges on hire purchase | 14,992 | 5,232 |
| Interest on loan from pension fund | 12,971 | 11,829 |
| Other interest | 1,658 | 6,266 |
| | £53,838 | £55,490 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 1996

| | 1996 £ | 1995 £ |
|-------------------------------|-----------|-----------|
| 7. INTEREST RECEIVABLE | | |
| Bank interest | 118 | - |

8. TAX ON ORDINARY ACTIVITIES

The tax charge for the year consists of:

| | | |
|--|----------------|---------------|
| Corporation tax | 70,000 | 38,800 |
| Relief for losses brought forward | - | (10,800) |
| Under/(over) provision of tax in earlier years | 4,585 | (19,462) |
| | £74,585 | £8,538 |

9. TANGIBLE FIXED ASSETS

| | Motor vehicles £ | Office equipment £ | Computer equipment £ | Short leasehold costs £ | Total £ |
|--|---------------------------------|-----------------------------------|-------------------------------------|--|--------------------|
| Cost: | | | | | |
| As at 1 April 1995 | 19,856 | 221,142 | 450,327 | 4,638 | 695,963 |
| Additions | - | 22,746 | 148,879 | 2,391 | 174,016 |
| Additions - acquisition at net book value | - | 3,752 | 3,643 | - | 7,395 |
| As at 31 March 1996 | 19,856 | 247,640 | 602,849 | 7,029 | 877,374 |
| Depreciation: | | | | | |
| As at 1 April 1995 | 19,856 | 102,797 | 375,442 | 4,638 | 502,733 |
| Provided for year | - | 25,479 | 50,016 | 15 | 75,510 |
| As at 31 March 1996 | 19,856 | 128,276 | 425,458 | 4,653 | 578,243 |
| Net Book Value: | | | | | |
| As at 31 March 1996 | - | £119,364 | £177,391 | £2,376 | £299,131 |
| As at 31 March 1995 | - | £118,345 | £74,885 | - | £193,230 |

The net book value of tangible fixed assets of £299,131 (1995: £193,230) includes an amount of £67,413 (1995: £20,229) of assets held under hire purchase contracts. Depreciation charged in the year on these assets amounted to £13,673 (1995: £11,740).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 1996

10. INVESTMENTS

| | Subsidiary undertakings | Other investments | Total |
|---|------------------------------------|------------------------------|--------------|
| | £ | £ | £ |
| As at 1 April 1995 and 31 March 1996 | £103 | £2,365 | £2,468 |

The company holds 5% or more of the equity shares of the following unlisted companies:

| Name | Country of incorporation | Nature of shareholding | Percentage owned |
|---------------------------|-------------------------------------|-----------------------------------|-----------------------------|
| SDG International Limited | England | Ordinary shares of £1 each | 100% |
| Cleverdon Steer Limited | England | Ordinary shares of £1 each | 100% |
| Kozlekedes KFT | Hungary | Capital stock | 5% |

The principal activity of the parent company is transport consultancy. All other companies are non-trading except for Kozlekedes KFT.

Cleverdon Steer Limited changed its name to Heathrow CityLink Limited on 26 April 1996.

| | 1996 | 1995 |
|---------------------------------|----------------|-----------------|
| | £ | £ |
| 11. WORK IN PROGRESS | | |
| At cost less anticipated losses | £78,699 | £188,383 |

12. DEBTORS**Amounts falling due after more than one year:**

| | | |
|--------------|----------------|---------------|
| Rent deposit | £10,965 | £7,097 |
|--------------|----------------|---------------|

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 1996

| | 1996 £ | 1995 £ |
|---|-------------------|-------------------|
| 13. DEBTORS | | |
| Amounts falling due within one year: | | |
| Trade debtors | 1,380,973 | 998,953 |
| Other debtors | 33,343 | 36,457 |
| Prepayments | 78,464 | 89,662 |
| Accrued income | 153,379 | 96,795 |
| Dividends receivable from subsidiaries | - | 38,946 |
| | £1,646,159 | £1,260,813 |

| | | |
|---|-------------------|-------------------|
| 14. CREDITORS | | |
| Amounts falling due within one year: | | |
| Bank overdraft | - | 52,567 |
| Bank loans | 14,847 | 14,847 |
| Obligations under hire purchase contracts | 28,782 | 7,568 |
| Trade creditors | 377,545 | 309,482 |
| Amount owed to group undertakings | 100 | 55,501 |
| Corporation tax | 70,000 | 16,786 |
| Other taxes and social security | 273,312 | 199,047 |
| Other creditors | 3,097 | 14,992 |
| Accruals and deferred income | 465,027 | 373,172 |
| | £1,232,710 | £1,043,962 |

The bank loan is repayable within five years and bears interest at 12¼%. The bank overdraft and loans are secured by a debenture on the company's assets.

| | | |
|--|-----------------|-----------------|
| 15. CREDITORS | | |
| Amounts falling due after more than one year: | | |
| Bank loan | 68,101 | 83,916 |
| Other loan | 135,000 | 135,000 |
| Obligations under hire purchase contracts | 16,406 | 2,640 |
| | £219,507 | £221,556 |

The other loan is repayable within five years and bears interest at 3% over Barclays Bank Base Rate.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 1996

| | 1996 £ | 1995 £ |
|--|------------|------------|
| 16. LEASING OBLIGATIONS | | |
| Annual commitments under operating leases for: vehicles and equipment leases expiring in: | | |
| Within one year | 674 | 2,520 |
| Second to fifth year | 35,118 | 99,824 |
| Leases for property expiring within five years | 33,842 | 43,000 |
| Leases for property expiring over five years | 168,710 | 166,000 |
| 17. SHARE CAPITAL | | |
| Authorised: | | |
| 100,000,000 Ordinary shares of £0.01 each | £1,000,000 | £1,000,000 |
| Allotted, called-up and fully paid: | | |
| 5,939,484 Ordinary shares of £0.01 each | £59,395 | £59,395 |
| 18. SHARE PREMIUM | | |
| As at 1 April 1995 and 31 March 1996 | £59,722 | £59,722 |
| 19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS | | |
| Retained profit for the financial year | 225,886 | 187,820 |
| Opening shareholders' funds | 455,807 | 267,987 |
| Closing shareholders' funds | £681,693 | £455,807 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 1996

20. PURCHASE OF BUSINESS

The company acquired the assets of Steer Davies Gleave Limited, a subsidiary of the company, (registered in Ireland) as from 1 April 1995.

| | 1996 £ |
|---|-----------|
| Tangible fixed assets | 7,006 |
| Debtors | 25,736 |
| Cash and bank | 2,940 |
| Creditors | (35,680) |
| Net Assets acquired | £2 |
| Satisfied by consideration payable | £2 |

There was no material difference between the fair values of the above assets and their net book values.

21. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

| | 1996 £ | 1995 £ |
|--|-----------------|-----------------|
| Operating profit | 354,191 | 227,678 |
| Depreciation charges | 75,510 | 60,840 |
| Stock and work in progress | 109,684 | (19,518) |
| Debtors | (428,160) | 57,601 |
| Creditors | 166,888 | 118,947 |
| Net cash inflow from operating activities | £278,113 | £445,548 |

22. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

| | Loans £ | Lease finance £ |
|-------------------------------------|-----------------|-----------------------|
| Balances at 31 March 1994 | 135,000 | 24,571 |
| Receipts/(Repayments) | 98,763 | (14,363) |
| Balances at 31 March 1995 | 233,763 | 10,208 |
| Receipts/(Repayments) | (15,815) | 34,980 |
| Balances as at 31 March 1996 | £217,948 | £45,188 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 1996

23. ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

| | Cash at bank and in hand £ | Bank overdraft £ | Total £ |
|---------------------------|---|---------------------------------|--------------------|
| Balances at 31 March 1994 | 969 | (375,056) | (374,087) |
| Net cash inflow | 68,365 | 322,489 | 390,854 |
| Balances at 31 March 1995 | 69,334 | (52,567) | 16,767 |
| Net cash inflow | 27,155 | 52,567 | 79,722 |
| Balances at 31 March 1996 | £96,489 | - | £96,489 |

24. PENSION COMMITMENTS

The company contributes to employees' pensions schemes 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 £99,321 (1995: £62,896). There were no contributions outstanding at year end.

There is a small self administered pension scheme for the benefit of certain directors. Contributions payable to the scheme of £10,000 were outstanding at the year end.

25. CONTINGENT LIABILITIES

At 31 March 1996 the company had given the following guarantees in respect of:

- a) Bills discounted £19,147.
- b) Certain indemnities arising in the normal course of business have been given by the company to its bankers and other third parties in respect of performance bonds opened on behalf of the company. These amounted to £9,726.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 1996

26. DIRECTORS' INTERESTS

During the year, Mr. B.V. Martin provided services to the company, at commercial rates, amounting to £24,250.