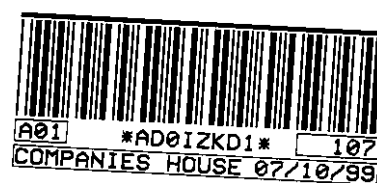


Company No. 2008984

**HAWKPOINT PARTNERS LIMITED
(FORMERLY NATWEST MARKETS CORPORATE ADVISORY LIMITED)**

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1998



HAWKPOINT PARTNERS LIMITED

DIRECTORS' REPORT

The Directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 1998.

Principal activity and review of business

The principal activity of the Company is the provision of corporate finance advisory services. The Company is regulated by The Securities & Futures Authority Limited.

Change of name

The name of the Company was changed from NatWest Markets Corporate Advisory Limited to Hawkpoint Partners Limited on 27 April 1998.

Results and dividends

The profit for the year on ordinary activities before taxation amounted to £949,000 (1997: loss £10,844,000) on which there was a taxation charge of £541,000 (1997: credit of £2,739,000). The retained profit of £408,000 (1997: loss of £11,105,000) will be transferred to reserves as shown on the profit and loss account on page 8.

Year 2000

In common with other businesses in the financial services industry, the Company uses computer systems which may be affected by problems resulting from the use of only two digits to identify the year in date fields ('Year 2000' problems). These systems were designed and developed without considering the impact of the forthcoming change in the century and may, as a result, fail to operate reliably when handling dates after 31 December 1999.

The Company's parent, National Westminster Bank Plc, has established a Millennium Programme to review, identify and correct potential problems in embedded chips, which are used in a wide range of equipment, including alarms and entry systems, process control systems and power generators. Progress on these projects is monitored by the NatWest Group Millennium Programme and aimed at ensuring satisfactory progress is made towards completing this review on time, and that adequate resources remain available for the completion of the programme.

The Company has considered the potential implications for its business and operations of Year 2000. Full compliance, within The British Standards Institute (DISCPD2000) definition, was achieved by the year end for substantially all of the Company's systems. The Company is contacting its suppliers to seek to ensure that they too have a programme to achieve Year 2000 compliance. A contingency plan is being developed to deal with failures of individual systems, should this circumstance arise.

HAWKPOINT PARTNERS LIMITED

DIRECTORS' REPORT (continued)

Year 2000 (continued)

Consideration has also been given to the scope for interruption in the Company's business and in its clients' businesses and to the significance of Year 2000 in respect of those matters upon which the Company provides advice and assistance to its clients.

Directors

The directors of the Company who served during the year were:

RCJ Baker
TJE Bayne (appointed 15 February 1998)
MD Cornish
DA Crean (appointed 1 October 1998)
CLB Darlington
PL Deakin
CF FitzGerald (appointed 17 June 1998)
MB Freinberg (appointed 2 March 1998)
DH Garratt (appointed 1 October 1998)
LW Guthrie (appointed 1 October 1998)
AF Irby
DC Macpherson
GM Magan
SR Metcalf
RG Milne
JJ Moczarski (appointed 14 July 1998)
Dame Pauline Neville-Jones (appointed 1 April 1998)
CG Nicolle
CP Ralph (appointed 15 February 1998)
SJ Rees
DJC Renton
Sir Michael Richardson
KS Roberts
CP Robinson (appointed 15 February 1998)
J-P Villa (appointed 8 December 1998)
AJM Williams
CRS Williams
PNG Wilson
DM Barclay (resigned 5 January 1998)
BJ Donoghue (resigned 31 December 1998)
PG Bird (appointed 2 March 1998, resigned 23 February 1999)
NRL Fry (resigned 20 January 1998)
HG Fagan (resigned 5 February 1998)
SH Grunewald (resigned 20 February 1998)
CK Huggins (resigned 4 January 1998)
JW Ledochowski (resigned 30 January 1998)
PMG Mallevays (resigned 30 June 1998)

HAWKPOINT PARTNERS LIMITED

DIRECTORS' REPORT (continued)

Directors (continued)

ML Orr (resigned 17 May 1998)
 DC Robertson-Bond (resigned 5 February 1998)
 ALHL Withnell (resigned 28 September 1998)

Directors' interests

The interests, all beneficial, of those who were directors at 31 December 1998 in the Ordinary Shares of National Westminster Bank Plc were:-

	Ordinary Shares of £1 each		Share Options					
	As at 1 January 1998 or date of appointment if later	As at 31 December 1998	As at 1 January 1998 or date of appointment if later	Granted during the year (exercisable between 2000 and 2003)		Exercised during the year		As at 31 December 1998
				Options	Price (p)	Options	Price (p)	
R C J Baker	2,156	-	1,223	-	-	-	-	1,223
T J E Bayne	-	-	-	366	941	-	-	366
P J Bird	-	-	326	366	941	-	-	692
C L B Darlington	4,562	3,280	1,776	366	941	518	399	1,624
P L Deakin	-	-	563	366	941	-	-	929
C F FitzGerald (see below)	-	-	705	207	941	-	-	912
M B Freinberg	1,199	1,199	705	366	941	-	-	1,071
D C Macpherson	27,958	28,809	-	-	-	-	-	-
S R Metcalf	11,300	11,300	-	-	-	-	-	-
Dame P Neville-Jones	-	-	-	207	941	-	-	207
C G Nicolle	1,039	1,072	540	366	941	-	-	906
C P Ralph	-	-	184	-	-	-	-	184
S J Rees	8,108	7,408	1,071	-	-	518	399	553
K S Roberts	-	518	1,765	366	941	518	399	1,613
C P Robinson	1,638	1,638	563	-	-	-	-	563
A J M Williams	-	-	705	-	-	-	-	705
C R S Williams	-	-	326	366	941	-	-	692
P N G Wilson	12,405	12,319	1,702	366	941	466	399	1,602

Options outstanding are exercisable at share prices between 399p and 941p per share. Options granted under the National Westminster Bank Plc Executive Share Option Schemes are exercisable subject to the achievement of stretching performance conditions.

In addition, Mr C F FitzGerald had a non-beneficial interest in 8,489,224 shares at 1 January 1998 and 6,939,112 shares as at 31 December 1998.

None of the directors in office at 31 December 1998 held any interest in the share or loan capital of the Company or any other National Westminster Bank Plc group company.

HAWKPOINT PARTNERS LIMITED

DIRECTORS' REPORT (continued)

Medium term equity plan

During 1998 Mr C F FitzGerald was granted a potential award under the Medium Term Equity Plan (MTEP) in respect of 1998. MTEP is a type of Employee Share Ownership Plan funded by National Westminster Bank Plc and administered by an independent trustee. The awards are subject to stretching performance criteria. The achievement of the performance criteria would result in Mr FitzGerald receiving the number of ordinary shares of £1 each shown below. These shares were acquired by the Trustee of the Plan at a price of 1102p.

<u>Director</u>	As at 1 January 1998	Granted During the year	Lapsed during the year	As at 31 December 1998
C F FitzGerald	95,790	24,319	34,694	85,415

As at 31 December 1998, 1,487,592 (1997: 1,411,552) shares were held by the independent trustee for the Plan and, in the terms of the trust deed setting up the Plan, all employees and directors are deemed to have an interest as potential discretionary beneficiaries in those ordinary shares.

Qualifying employee share ownership trust

In October 1997 National Westminster Bank Plc established a Qualifying Employee Share Ownership Trust (QUEST) to operate in connection with the National Westminster Bank Plc Savings Related Share Option Scheme. The trustee of the QUEST is NatWest QUEST Limited, a wholly-owned subsidiary.

As at 31 December 1998 604,627 (1997: 1,566,065) ordinary shares were held by the trustee. In the terms of the trust deed setting up the QUEST, all employees and executive directors are deemed to have an interest as potential discretionary beneficiaries in those ordinary shares.

Donations

Charitable donations of £3,000 (1997: £6,000) were made during the year.

Suppliers

The Company's suppliers are vital to our success. We are committed to establishing mutually beneficial relationships with them, based on the same high ethical standards that apply to all our dealings. The Company utilises the Group Accounts Payable function to settle invoices and it is the Group's policy:

- i. wherever appropriate, to settle the terms of payment when agreeing each transaction;
- ii. to ensure the supplier is aware of the terms; and
- iii. to abide by them.

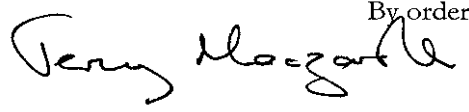
In all other circumstances, the Group is committed to paying suppliers within 30 days of receipt of a valid invoice.

HAWKPOINT PARTNERS LIMITED

DIRECTORS' REPORT (continued)

Auditors

The Company has passed an Elective Resolution to dispense with the annual appointment of auditors; accordingly KPMG Audit Plc remain in office.

By order of the Board
 J Moczarski
Secretary
24 March 1999

4 Great St Helens
London EC3A 6HA

HAWKPOINT PARTNERS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the Report of the Auditors on page 7, is made to enable shareholders to distinguish the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

The Directors are required by the Companies Act 1985 to prepare, for each financial year, accounts which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit for that financial year.

The Directors confirm that the financial statements set out on pages 8 to 15 have been prepared on the going concern basis and consider that, in preparing those financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to prepare financial statements which comply with the Companies Act 1985.

The Board of Directors is responsible for maintaining a comprehensive system of internal controls, which is designed to provide reasonable, but not absolute, assurance:

- of effective and efficient operations;
- as to the reliability and integrity of the financial statements;
- that assets are safeguarded and only authorised transactions are entered into;
- that fraud and other irregularities are prevented and detected; and
- that the Company complies with applicable laws and regulations.

The day-to-day operation of the system of internal controls is delegated to executive management. The system includes physical controls; procedures for the segregation of duties; credit; trading and other authorisation limits; extensive financial and operating policies; and a comprehensive financial and planning system. It is documented through Company policies and procedures that are communicated to employees. In devising internal financial controls, the Company has regard to the materiality of the risk, the likelihood of the risk crystallising and the costs of controls. It is, however, possible for internal controls to be circumvented or overridden.

The system of internal control is subject to scrutiny by management and internal audit.

KPMG Audit Plc, the independent auditors appointed by the shareholders of the Company to audit the financial statements, have full and unrestricted access to the Audit and Compliance Committee of National Westminster Bank Plc to discuss their audit and related findings as to the integrity of the Company's financial reporting and the adequacy of the system of internal financial controls. Both the internal auditors and KPMG Audit Plc have access to the Committee at any time to discuss matters they believe may be of significance.

For and on behalf of the Board of Directors.

Director



24 FEB 1999

AUDITORS' REPORT TO THE MEMBERS OF HAWKPOINT PARTNERS LIMITED

We have audited the financial statements on pages 8 to 15.

Respective responsibilities of directors and auditors

As described on pages 6 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 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
24 March 1999

8 Salisbury Square
Blackfriars
London EC4Y 8BB

HAWKPOINT PARTNERS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1998

	<u>Note</u>	1998 <u>£ 000</u>	1997 <u>£ 000</u>
Turnover	1 f)	31,715	35,239
Administrative expenses		<u>(32,178)</u>	<u>(47,784)</u>
Operating loss		(463)	(12,545)
Income from other investments		(16)	3
Interest receivable		1,579	1,698
Interest payable		<u>(151)</u>	—
Profit/(loss) on ordinary activities before taxation	3	949	(10,844)
Taxation credit/(charge) on profit/(loss) on ordinary activities	6	<u>(541)</u>	<u>2,739</u>
Profit/(loss) on ordinary activities after taxation		408	(8,105)
Dividend payable		—	<u>(3,000)</u>
Retained profit/(loss) for the year		<u>408</u>	<u>(11,105)</u>

All income was derived from continuing operations.

There were no recognised gains or losses other than the profits for the above two financial years.

A statement of movement on reserves is given in note 13.

HAWKPOINT PARTNERS LIMITED

BALANCE SHEET

As at 31 December 1998

	<u>Note</u>	1998 <u>£ 000</u>	1997 <u>£ 000</u>
Fixed assets			
Investments	7	137	153
Tangible	8	<u>73</u>	<u>-</u>
		210	153
Current assets			
Debtors	9	12,697	9,605
Cash at bank and in hand	10	<u>21,489</u>	<u>32,329</u>
		34,186	41,934
Creditors: Amounts falling due within one year	11	<u>(16,807)</u>	<u>(24,906)</u>
Net current assets		<u>17,379</u>	<u>17,028</u>
		<u>17,589</u>	<u>17,181</u>
Capital and Reserves			
Called up share capital	12	16,500	16,500
Profit and loss account	13	<u>1,089</u>	<u>681</u>
Equity shareholders' funds	13	<u>17,589</u>	<u>17,181</u>

These financial statements were approved by the Board of Directors on 24 March 1999 and signed on its behalf by:

R G MILNE


Director

HAWKPOINT PARTNERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with Section 228 of, and Schedule 4 to, the Companies Act 1985. The financial statements have been prepared in accordance with applicable Accounting Standards. Consolidated financial statements are not presented as the Company is a wholly owned subsidiary of a company incorporated in England.

(b) Cash flow statement

A cash flow statement is not required under FRS1 (revised) as the Company is a wholly owned subsidiary undertaking of a company incorporated in England.

(c) Investments

Fixed asset investments are stated at cost less provision for any permanent diminution in value. Listed investments shown as current assets are included at the lower of cost and market value.

(d) Fixed assets and depreciation

Depreciation is provided to write off the cost of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Office furniture and fixtures	3 years
Computer equipment	3 years
Paintings	10 years

(e) Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

(f) Turnover

Turnover represents fees, stated net of value added tax, which are credited to the profit and loss account when invoiced, on completion of the relevant assignment.

HAWKPOINT PARTNERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Directors and employees

From 1 July 1998 the Company directly employed its own staff. Prior to that date staff were employed by NatWest Markets Employment Limited and their costs were re-charged to the Company so the staff numbers and salary costs for 1997 were disclosed in the accounts of NatWest Markets Employment Limited; accordingly no comparatives are shown.

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	<u>1998</u>
Directors and business executives	56
Support, secretarial and administration	<u>63</u>
	<u>119</u>

The aggregate fees and payroll costs paid by the Company were as follows:

	<u>1998</u>
Fees and salaries	20,021
Social security costs	868
Other pension costs	<u>379</u>
	<u>21,268</u>

3 Profit on ordinary activities before taxation

The profit (1997: loss) on ordinary activities before taxation is stated after charging auditors' remuneration of £17,600 (1997: £6,000).

Administrative costs include a significant restructuring provision (see note 11) and expenses associated with purchasing J O Hambro Magan & Company Limited (now STH & Company Limited), and also include full provision for 1998 bonuses paid in January 1999. Some of those costs are included within directors' emoluments.

4 Directors' remuneration

	1998	1997
	<u>£ 000</u>	<u>£ 000</u>
Aggregate emoluments, including pension contributions, redundancy and special bonuses	11,237	13,419
Pension contributions paid on behalf of directors	143	268
Compensation for loss of office	375	117
Emoluments (excluding pension contributions) of the highest paid director	1,930	1,363
Pension contributions paid on behalf of the highest paid director	-	22

HAWKPOINT PARTNERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Pension costs

The Company participates in both a defined benefit and defined contribution pension scheme, the assets of which are held in separate trustee administered funds.

6 Taxation charge

	1998	1997
	<u>£ 000</u>	<u>£ 000</u>
Group relief payable/(credit) at 31.5% (1997:33%)	868	(3,005)
Adjustments to prior years	(327)	238
Overseas taxes	<u>-</u>	<u>28</u>
	<u>541</u>	<u>(2,739)</u>

7 Fixed asset investments

	UK Listed Equities	Shares Listed Elsewhere	Total
	<u>£ 000</u>	<u>£ 000</u>	<u>£ 000</u>
<u>Cost</u>			
At 1 January	233	127	360
Addition	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December	<u>233</u>	<u>127</u>	<u>360</u>
<u>Provision for diminution in value:</u>			
At 1 January	207	-	207
Increase	<u>9</u>	<u>7</u>	<u>16</u>
At 31 December	<u>216</u>	<u>7</u>	<u>223</u>
<u>Net book values:</u>			
At 31 December 1998	<u>17</u>	<u>120</u>	<u>137</u>
At 31 December 1997	<u>26</u>	<u>127</u>	<u>153</u>

HAWKPOINT PARTNERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 Tangible fixed assets

	Equipment & Furniture <u>£ 000</u>	Paintings <u>£ 000</u>	Total <u>£ 000</u>
<u>Cost</u>			
Transferred from STH & Company on 31 December 1998, and balance at 31 December 1998	<u>194</u>	<u>76</u>	<u>270</u>
<u>Depreciation</u>			
Transferred from STH & Company on 31 December 1998, and balance at 31 December 1998	<u>185</u>	<u>12</u>	<u>197</u>
Net book amounts:			
At 31 December 1998	<u>9</u>	<u>64</u>	<u>73</u>
At 31 December 1997	<u>=</u>	<u>=</u>	<u>=</u>

9 Debtors

	1998 <u>£ 000</u>	1997 <u>£ 000</u>
Trade debtors	8,373	5,294
Other debtors	107	387
Amount due from parent and fellow subsidiary undertakings	3,946	3,849
Prepayments	<u>271</u>	<u>75</u>
	<u>12,697</u>	<u>9,605</u>

10 Cash at bank and in hand

	1998 <u>£ 000</u>	1997 <u>£ 000</u>
Intra group balances:		
Placed with NatWest Group Treasury	13,249	21,729
Placed within deposit account at NatWest	<u>2,674</u>	<u>5,395</u>
	15,923	27,124
Placed with other bank	<u>5,566</u>	<u>5,205</u>
	<u>21,489</u>	<u>32,329</u>

HAWKPOINT PARTNERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Creditors: Amounts falling due within one year

	1998 <u>£ 000</u>	1997 <u>£ 000</u>
Amounts owed to parent and fellow subsidiary undertakings	108	6,611
Other creditors including taxation and national insurance	868	366
Restructuring provision (see below)	1,720	-
Accruals	<u>14,111</u>	<u>17,929</u>
	<u>16,807</u>	<u>24,906</u>
Restructuring provision:		
At 1 January	-	-
Charged during the year	2,463	-
Utilised during the year (redundancy payments)	<u>(743)</u>	-
At 31 December	<u>1,720</u>	-

12 Equity share capital

	1998 <u>£ 000</u>	1997 <u>£ 000</u>
Authorised:		
At 1 January 20 million (1997: 5 million) ordinary shares of £1 each	20,000	5,000
Increased on 29 January 1997	-	<u>15,000</u>
At 31 December 20 million ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
Share capital allotted, called up and fully paid:		
At 1 January 16.5 million (1997: 5 million) ordinary shares of £1 each	16,500	5,000
Shares issued at par on 29 January 1997	-	<u>11,500</u>
At 31 December 16.5 million ordinary shares of £1 each	<u>16,500</u>	<u>5,000</u>

13 Reconciliation of movements in equity shareholders' funds

	1998 <u>£ 000</u>	1997 <u>£ 000</u>
Increase in issued share capital	-	11,500
Profit/(loss) for the financial year attributable to shareholders	408	(8,105)
Dividend paid	-	(3,000)
Opening shareholders' funds	<u>17,181</u>	<u>16,786</u>
Closing shareholders' funds	<u>17,589</u>	<u>17,181</u>

HAWKPOINT PARTNERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 Contingent liability

Group VAT Registration:

The Company is registered with HM Customs & Excise as a member of the National Westminster Bank Plc group for VAT purposes and, as a result, is jointly and severally liable on a continuing basis for amounts owing by other members of the group in respect of unpaid VAT.

15 Ultimate parent company

The Company is a wholly-owned subsidiary undertaking whose parent is National Westminster Bank Plc. The largest and smallest group in which the results of the Company are consolidated is National Westminster Bank Plc which is registered in England and Wales.

The consolidated accounts of National Westminster Bank Plc are available to the public and may be obtained from the Company Secretary, 41 Lothbury, London EC2P 2BP.