

242 4914

HLM ARCHITECTS LIMITED

REPORT AND ACCOUNTS
31 DECEMBER 1999



HLM ARCHITECTS LIMITED

Directors: C D Liddle - Chairman
R C Fraser - Chief Executive
L H Welch
J R Ferguson
D M Cafferty

Secretary: K S Beecroft

Company Number: 2424914

Registered Office: 1 Old Lodge Place
St Margarets
Twickenham
Middlesex TW1 1RQ

Auditors: Chantrey Vellacott DFK
Chartered Accountants
Russell Square House
10-12 Russell Square
London WC1B 5LF

CONTENTS

	Pages
Report of the directors	1
Report of the auditors	2
Consolidated profit and loss account	3
Consolidated balance sheet	4
Balance sheet	5
Cash flow statement	6
Notes to the accounts	7 - 12

HLM ARCHITECTS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 1999

The directors present their report, together with the audited accounts of the group, for the year ended 31 December 1999.

REVIEW OF ACTIVITIES

The company acts as a holding company to the HLM group and acts as Principal Architect on PFI and other major projects tendered for by the group.

In 1999 the group continued to work on the PFI projects won in 1998. Two projects were completed in the year. The group is making sound progress in 2000 to approach financial close in a further round of PFI and major projects.

The principal subsidiary HLM Design Limited is engaged in providing architectural and allied services and also had a successful year.

At the date of the report the company is engaged in negotiations with a listed company which may result in an offer being made for the entire share capital of the company.

There have been no other events since the balance sheet date which materially affect the position of the group.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £1,459,864. Interim dividends totalling £1,000,000 were paid in the year.

The directors recommend the payment of a final dividend of £500,000 for the year.

DIRECTORS' RESPONSIBILITIES

The directors are required by company law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the group at the end of the financial year and of the profit or loss for that period. In preparing the accounts, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements have been made. The directors are also responsible for maintaining adequate accounting records, for safeguarding the assets of the group, and for preventing and detecting fraud and other irregularities. The directors are satisfied that the business is a going concern.

DIRECTORS AND THEIR INTERESTS

The directors at 31 December 1999 who served throughout the year and their interests in the share capital of the company are as set out below.

	Ordinary shares of 25p each	
	31 December 1999	1 January 1999
C D Liddle	160,000	160,000
R C Fraser	160,000	160,000
L H Welch	160,000	160,000
J R Ferguson	60,000	60,000
D M Cafferty	60,000	60,000

The directors had no interests in the share capital of the subsidiary companies.

Approved by the Board of Directors on 27 March 2000
and signed on their behalf by:


K S BEECROFT
Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF

HLM ARCHITECTS LIMITED

We have audited the accounts on pages 3 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 1999 and of the results of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

chantrey vellacott dfk
CHANTREY VELLACOTT DFK

Chartered Accountants
Registered Auditors
10-12 Russell Square
London WC1B 5LF

27 March 2000

HLM ARCHITECTS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1999

	Notes	1999	1998
FEES RECEIVABLE	2	8,612,909	8,936,317
Change in work in progress and fees received in advance		(336,452)	(1,597,531)
NET FEES EARNED		8,276,457	7,338,786
OPERATING COSTS			
External charges		852,036	561,723
Staff costs	3	3,563,116	3,008,495
Depreciation	4	177,672	131,216
Other operating charges		1,687,822	1,663,600
		6,280,646	5,365,034
OPERATING PROFIT	2	1,995,811	1,973,752
Interest receivable and similar income	5	127,741	99,361
PROFIT on ordinary activities before taxation		2,123,552	2,073,113
Taxation on profit on ordinary activities	6	663,688	625,489
PROFIT on ordinary activities after taxation		1,459,864	1,447,624
Dividends paid and proposed	7	1,500,000	1,435,000
(DEFICIT) RETAINED PROFIT FOR THE YEAR	13	£ (40,136)	£ 12,624

All the above amounts relate to continuing activities.

All recognised gains and losses are included in the above profit and loss account.

HLM ARCHITECTS LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 1999

	Notes	1999	1998
FIXED ASSETS			
Tangible assets	8	347,612	343,034
Listed investment	9	220,938	106,050
		<u>568,550</u>	<u>449,084</u>
CURRENT ASSETS			
Debtors	10	2,097,765	2,411,983
Cash at bank and in hand		2,190,141	2,001,825
		<u>4,287,906</u>	<u>4,413,808</u>
CREDITORS: amounts falling due within one year	11	4,455,617	4,421,917
		<u>4,455,617</u>	<u>4,421,917</u>
NET CURRENT LIABILITIES		(167,711)	(8,109)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£ 400,839</u>	<u>£ 440,975</u>
CAPITAL AND RESERVES			
Called up share capital	12	150,000	150,000
Reserves	13	250,839	290,975
		<u>400,839</u>	<u>440,975</u>
EQUITY SHAREHOLDERS' FUNDS	14	<u>£ 400,839</u>	<u>£ 440,975</u>

HLM ARCHITECTS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 1999

	Notes	1999	1998
FIXED ASSETS			
Investment in subsidiary undertakings	15	150,000	150,000
Listed investment	9	220,938	106,050
		<hr/>	<hr/>
		370,938	256,050
CURRENT ASSETS			
Debtors	10	1,198,993	1,975,486
Cash at bank		2,331,946	1,505,599
		<hr/>	<hr/>
		3,530,939	3,481,085
CREDITORS: amounts falling due within one year	11	3,501,522	3,345,362
		<hr/>	<hr/>
NET CURRENT ASSETS		29,417	135,723
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		£ 400,355	£ 391,773
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	12	150,000	150,000
Reserves	13	250,355	241,773
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	14	£ 400,355	£ 391,773
		<hr/>	<hr/>

Approved by the Board of Directors on 27 March 2000
and signed on their behalf by:

C D LIDDLE



R C FRASER



HLM ARCHITECTS LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1999

			1999	1998
OPERATING PROFIT			1,995,811	1,973,752
Depreciation charge		177,672		136,716
Profit on sale of asset		-		(5,500)
Change in:				
Income in advance		336,452		1,597,531
Debtors		314,218		(1,053,634)
Creditors		(271,440)		724,361
			556,902	1,399,474
Net cash inflow from operating activities			2,552,713	3,373,226
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received		125,491		99,361
Dividend received		2,250		-
			127,741	99,361
TAXATION				
Corporation tax paid			(635,000)	(230,623)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Purchase of investment		(114,888)		(106,050)
Purchase of tangible assets		(182,250)		(283,463)
Sale of tangible assets		-		5,500
Net cash outflow from investing activities			(297,138)	(384,013)
DIVIDENDS PAID TO EQUITY SHAREHOLDERS			(1,560,000)	(995,000)
Net cash inflow before management of liquid resources and financing			188,316	1,862,951
Increase in cash at bank			£ 188,316	£ 1,862,951
ANALYSIS OF NET FUNDS				
	Net funds		Net funds	Net funds
	1 January		31 December	31 December
	1998	Cashflow	1998	1999
Cash at bank	£ 138,874	£ 1,862,951	£ 2,001,825	£ 2,190,141

HLM ARCHITECTS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1999

1. ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain tangible assets using the following accounting policies.

a) Basis of consolidation

The consolidated accounts include the accounts of the company and its subsidiary HLM Design Limited made up to 31 December 1999. Intercompany transactions have been eliminated.

The company acquired the whole of the issued share capital of HLM Design Limited on 25 June 1997 by way of a share for share exchange.

b) Depreciation

Depreciation is provided on all tangible assets at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life. The expected useful lives are as follows:

Computers and other equipment	: 3 years
Furniture	: 5 years
Motor vehicles	: 4 years

c) Work in progress

Work in progress is stated at cost plus attributable profit, less any foreseeable losses and reduced by net fees received and receivable. Cost comprises salary costs and overheads. Attributable profit is that part of profit currently estimated to be prudently available on the completed stages of each project at the balance sheet date. A foreseeable loss is that currently estimated to arise on the duration of the project as a whole. Fees receivable in excess of work in progress are treated as income in advance and included in creditors.

d) Operating leases

Rentals under operating lease contracts are charged to the profit and loss account as they fall due.

e) Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, except that no provision is made where it can be reasonably foreseen that such deferred taxation will not be payable in the foreseeable future.

f) Investments

Investments in subsidiary undertakings and other investments are stated at cost.

2. FEES RECEIVABLE AND OPERATING PROFIT

Fees receivable represent fees billed to clients at invoiced amounts, net of rechargeable items and value added tax.

Operating profit is stated after charging:

	1999 £	1998 £
Directors' remuneration	413,692	342,281
Auditors' remuneration	14,500	14,000
Directors' remuneration comprises:		
Aggregate emoluments	410,546	327,253
Company contributions to money purchase pension schemes	3,146	15,028
	<u>£ 413,692</u>	<u>£ 342,281</u>

The highest paid director received £136,258 (1998: £112,123).

No pension contributions were paid in respect of the highest paid director (1998 : nil).

A professional practice charged £124,122 for the services of Mr R C Fraser during the year (1998: £105,947).

HLM ARCHITECTS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1999

(Continued)

3.	STAFF COSTS	1999	1998
	Staff costs during the year amounted to:		
	Wages and salaries	3,200,090	2,698,574
	Social security costs	316,696	263,015
	Other pension costs	46,330	46,906
		<u>£ 3,563,116</u>	<u>£ 3,008,495</u>
	The average number of employees during the year was made up as follows:	No.	No.
	Architects	114	100
	Administration	25	25
		<u>139</u>	<u>125</u>
4.	DEPRECIATION	1999	1998
	Depreciation of owned assets	177,672	136,716
	Profit on sale of assets	-	(5,500)
		<u>£ 177,672</u>	<u>£ 131,216</u>
5.	INTEREST RECEIVABLE AND SIMILAR INCOME	1999	1998
	Interest receivable	125,491	99,361
	Dividends receivable	2,250	-
		<u>£ 127,741</u>	<u>£ 99,361</u>
6.	TAXATION ON PROFIT ON ORDINARY ACTIVITIES	1999	1998
	The taxation is based on the profit for the year and is made up as follows:		
	UK Corporation tax at 30% and 31% (1998 : 31%)	671,000	625,000
	Adjustment of prior year	(7,312)	489
		<u>£ 663,688</u>	<u>£ 625,489</u>
7.	DIVIDENDS PAID AND PROPOSED	1999	1998
	To equity shareholders:		
	Interim dividends paid	1,000,000	875,000
	Interim dividends proposed	-	560,000
	Proposed final dividend	500,000	-
		<u>£ 1,500,000</u>	<u>£ 1,435,000</u>

HLM ARCHITECTS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1999

(Continued)

8.	TANGIBLE ASSETS	Furniture & equipment	Motor vehicles	Total
	Cost or valuation			
	1 January 1999	685,589	30,400	715,989
	Additions	175,868	6,382	182,250
		<hr/>	<hr/>	<hr/>
	31 December 1999	861,457	36,782	898,239
		<hr/>	<hr/>	<hr/>
	Depreciation:			
	1 January 1999	361,133	11,822	372,955
	Charge for the year	168,931	8,741	177,672
		<hr/>	<hr/>	<hr/>
	31 December 1999	530,064	20,563	550,627
		<hr/>	<hr/>	<hr/>
	Net book value:			
	31 December 1999	£ 331,393	£ 16,219	£ 347,612
		<hr/>	<hr/>	<hr/>
	31 December 1998	£ 324,456	£ 18,578	£ 343,034
		<hr/>	<hr/>	<hr/>

All tangible fixed assets are held by HLM Design Limited

Cost of valuation of furniture and equipment include £144,000 revalued by the directors as at 1 January 1995 based on a detailed physical inventory of the assets. These assets are now fully depreciated.

The group had no capital commitments at 31 December 1999 (1998: £NIL).

9. LISTED INVESTMENT

The market value of the listed investment was £446,500 (1998 :£ 112,500)

10.	DEBTORS	Group	Company
		1999	1998
	Trade debtors	1,966,815	2,290,964
	Dividend receivable from subsidiary undertaking	-	-
	Prepayments and accrued income	130,950	121,019
		<hr/>	<hr/>
		£ 2,097,765	£ 2,411,983
		<hr/>	<hr/>
		£ 1,198,993	£ 1,975,486
		<hr/>	<hr/>

HLM ARCHITECTS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1999

(Continued)

11.	CREDITORS: amounts falling due within one year	Group		Company	
		1999	1998	1999	1998
	Fees receivable in advance	2,333,888	1,997,436	1,949,999	1,260,485
	Trade creditors	497,396	518,830	-	-
	Amount payable to subsidiary undertaking	-	-	728,015	1,153,627
	Corporation tax	516,991	363,303	322,897	196,250
	Advance Corporation tax	-	125,000	-	125,000
	Taxation and social security	266,598	191,329	-	-
	Other creditors and accruals	340,744	666,019	611	50,000
	Proposed dividends	500,000	560,000	500,000	560,000
		<u>£ 4,455,617</u>	<u>£ 4,421,917</u>	<u>£ 3,501,522</u>	<u>£ 3,345,362</u>

12.	CALLED UP SHARE CAPITAL	Group		Company	
		1999	Authorised 1998	1999	Allotted, issued and fully paid 1998
	600,000 ordinary shares of 25p each	£ 150,000	£ 150,000	£ 150,000	£ 150,000

13.	RESERVES	Group		Company	
		Revaluation Reserve	Profit and loss account	Total	Profit and loss account
	At 1 January 1999	47,087	243,888	290,975	241,773
	Transfer between reserves	(47,087)	47,087	-	-
	(Deficit) profit for year	-	(40,136)	(40,136)	8,582
	At 31 December 1999	<u>-</u>	<u>250,839</u>	<u>250,839</u>	<u>250,355</u>

As allowed by s230 of the Companies Act 1985 the profit and loss account of the company is not presented. The profit dealt with in the accounts of the company was £1,508,582 (1998: £1,561,829).

14.	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	Group		Company	
		1999	1998	1999	1998
	Profit on ordinary activities after taxation	1,459,864	1,447,624	1,508,582	1,561,829
	Dividends paid and proposed	1,500,000	1,435,000	1,500,000	1,435,000
	Net (reduction) addition to equity shareholders' funds	(40,136)	12,624	8,582	126,829
	Opening equity shareholders' funds	440,975	428,351	391,773	264,944
	Closing equity shareholders' funds	<u>£ 400,839</u>	<u>£ 440,975</u>	<u>£ 400,355</u>	<u>£ 391,773</u>

HLM ARCHITECTS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1999

(Continued)

15. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Shares at cost:

At 31 December 1999 and at 31 December 1998

£ 150,000

The company owns the whole of the issued share capital of HLM Design Limited a company registered in England.

Additionally the company owns via HLM Design Limited the following companies which are registered in England.

HLM Landscape Limited

HLM Planning Limited

These companies are non-trading, and have no assets.

16. CONTINGENT LIABILITIES

The groups bank overdraft facility is secured by a debenture on the assets and undertaking of HLM Design Limited.

HLM Design Limited has given guarantees secured in part by a debenture on the assets and undertakings of that company in respect of the mortgage loans of a former fellow subsidiary. The liability at 31 December 1999 was £2,047,884 (1998: £2,221,591).

There were no other contingent liabilities at 31 December 1999 (1998: £Nil).

17. OPERATING LEASES

The group's commitments for rental payments under operating leases payable during the year to 31 December 2000 are as follows:

Operating leases:

	Office Premises
expiring after more than 5 years	£ 434,300

Other operating leases are not material.

18. RELATED PARTY TRANSACTIONS

- a) The directors of the company are substantial shareholders of Melbourne Property Holdings Limited and C D Liddle and R C Fraser are directors of that company. The other directors of the company were directors of Melbourne Property Holdings Limited for part of the year. The group rents certain office premises from Melbourne Properties Limited, a subsidiary of Melbourne Property Holdings Limited.

The annual rental payable in respect of the properties amounts to £399,328. In addition, during the year the company resolved its litigation in respect of Melbourne Property Holdings Limited, which resulted in back rent being paid during the year of £419,000, of which £280,000 was provided in the previous years accounts.

At 31 December 1999 no amounts were due to Melbourne Property Holdings Limited.

The group has given guarantees in respect of the mortgage loans of Melbourne Properties Limited, which at 31 December 1999 amounted to £2,047,884.

HLM ARCHITECTS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1999

(Continued)

18. RELATED PARTY TRANSACTIONS (continued)

- b) R C Fraser and C D Liddle, directors of the company, are directors and the sole shareholders of 2020 Investments PLC.

During the year the group maintained a current account with 2020 Investments PLC, and paid for and received amounts on behalf of that company. In addition, on 13 July 1999 the group advanced an interest free loan of £1 million to 2020 Investments PLC, which was repaid on 24 August 1999. At 31 December 1999 the amount due to 2020 Investments PLC was £611.

- c) R C Fraser, a director of the company, is the sole practitioner of Charles Fraser, Chartered Accountants. The company paid £124,122 for the services of Mr Fraser during the year. At 31 December 1999 there were no amounts due.