

Company No. 3875826

HAWKPOINT HOLDINGS LIMITED

Directors' Report and Financial Statements

31 December 2006

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DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2006

PRINCIPAL ACTIVITY

The principal activity of the Company is as the holding company of its wholly owned subsidiary, Hawkpoint Partners Limited

The focus of Hawkpoint Partners Limited's activities is to provide corporate finance, restructuring and debt advice to Financial Institutions and to the Corporate and Private Equity communities

REVIEW OF BUSINESS

The UK saw increased corporate activity in 2006, with Hawkpoint Partners Limited experiencing enhanced deal flow. Hawkpoint Partners Limited was also retained by a number of new corporate clients and the private equity community continued to be very active. A number of high profile transactions were executed on behalf of new and existing clients.

The Company received £0.7 million of dividend income during the year (2005 £4.3 million). The subsidiary undertaking generated revenue of £56.2 million, an increase of 55% on the preceding year.

Market conditions have been favourable and, provided this continues, the prospects for 2007 are positive. A negative adjustment in market conditions affecting the trading environment for the Company's subsidiary undertaking is considered to be the principal economic risk faced by the Company.

On 22 December 2006, the Company was acquired by Collins Stewart Plc. As a consequence, an employee benefit trust (The Damascus II Offshore Trust) which held shares in the Company, received an amount of purchase consideration. The trust will use these monies to fund a share based payment plan of the Company. The trust is aggregated in these accounts.

RESULTS AND DIVIDENDS

The results for the year are shown on page 8. An interim dividend of £576p (2005 £313p) per ordinary share amounting to £560,782 (2005 £304,731) was paid on 7 March 2006.

SHARE CAPITAL

Details of changes in the Company's share capital during the year are given in note 12 to the financial statements.

DIRECTORS' REPORT**IMPACT OF ACCOUNTING POLICY CHANGES**

The Company has adopted FRS 20 "Share Based Payment" in these accounts for the first time. There is no impact on the current or prior year accounts as the amount is insignificant (see notes 1 (f) and 13)

DIRECTORS

The Directors of the Company who served during the year were

PM Baines

RH Brance

RH Brooks (resigned 22 December 2006)

D Dyer Bartlett (appointed 22 December 2006)

J Plasco (appointed 22 December 2006)

DAC Reid Scott

VE Treves (resigned 22 December 2006)

RG Woodhead (resigned 22 December 2006)

DIRECTORS' INTERESTS

The indirect interests of Messrs Baines and Plasco and Mrs Dyer Bartlett are shown in the accounts of Collins Stewart Plc, the Company's parent company. The other Directors' interests in the shares of Collins Stewart Plc and in the Company's shares are shown below

No Director held any interest in contracts with the Company

	COLLINS STEWART PLC LOAN NOTE OF £1 EACH		ORDINARY SHARES OF COLLINS STEWART PLC	
	31 DEC 2006	31 DEC 2005	31 DEC 2006	31 DEC 2005
RH Brance	-	-	2,753,943	-
DAC Reid Scott	4,131,741	-	3,708,717	-

	REDEEMABLE A SHARES OF HAWKPOINT HOLDINGS LIMITED		C ORDINARY SHARES OF HAWKPOINT HOLDINGS LIMITED	
	31 DEC 2006	31 DEC 2005	31 DEC 2006	31 DEC 2005
RH Brance	-	4,903	-	50,001
DAC Reid Scott	-	4,902	-	67,500

DIRECTORS' REPORT

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. It is our policy

- wherever appropriate, to agree the terms of payment when entering into each transaction,
- to ensure the supplier is aware of the terms, and
- to abide by them

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

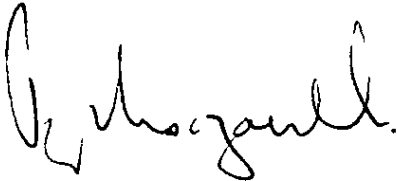
DONATIONS

The Company made no charitable donations during the year (2005 £nil)

AUDITORS

PricewaterhouseCoopers LLP have expressed their willingness to continue in their role of auditor for the Company

By Order of the Board



J J Moczarski

Secretary

41 Lothbury

London

EC2R 7AE

20 March 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of the 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 UK 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, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that 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.

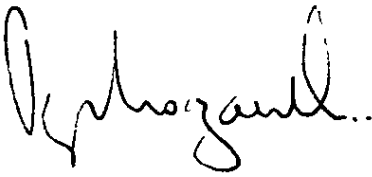
Each of the Directors in office as at the date of this report confirms that

- there is no relevant audit information of which the Company's auditors are unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ANNUAL REPORT AND THE FINANCIAL STATEMENTS (CONTINUED)**

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board



J J Moczarski
Secretary
41 Lothbury
London
EC2R 7AE

20 March 2007

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HAWKPOINT HOLDINGS LIMITED

We have audited the financial statements of Hawkpoint Holdings Limited for the year ended 31 December 2006, which are comprised of the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibility.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its loss and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers LLP', with a stylized flourish at the end.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Southwark Towers

32 London Bridge Street

London

SE1 9SY

21 March 2007

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2006

	NOTE	2006 £000	2005 £000
Administrative expenses		(1,028)	-
Income from group undertaking		700	4,250
(Loss) / profit before interest and tax		(328)	4,250
Interest receivable and similar income		286	486
Interest payable and similar charges	4	(373)	(527)
(Loss) / profit on ordinary activities before taxation		(415)	4,209
Taxation charge on profit on ordinary activities	5	32	9
(Loss) / profit on ordinary activities after taxation		(383)	4,218
Dividend	6	(561)	(305)
Retained (loss) / profit for the year		(944)	3,913

All income was derived from continuing operations. There were no recognised gains or losses other than the loss for the above financial year. A statement of movements in shareholders' funds is given in note 14.

BALANCE SHEET

As at 31 December 2006

	NOTE	2006 £000	2005 £000
Fixed assets			
Investments	7	2,100	2,100
Current assets			
Investments	8	2,817	-
Debtors	9	7,161	170
Cash at bank and in hand		3,184	8,091
		<u>13,162</u>	<u>8,261</u>
Creditors Amounts falling due within one year	10	(146)	(3,776)
Net current assets		<u>13,016</u>	<u>4,485</u>
Total assets less current liabilities		<u>15,116</u>	<u>6,585</u>
Creditors Amounts falling due after more than one year	11	-	(2,471)
Net assets / (liabilities)		<u>15,116</u>	<u>4,114</u>
Capital and Reserves			
Called up share capital	12,14	706	709
Share premium	14	3,329	3,329
Capital redemption reserve	14	22	19
Other reserves	14	11,949	-
Profit and loss account	14	(890)	57
Total shareholders' funds	12,14	<u>15,116</u>	<u>4,114</u>

These financial statements were approved by the Board of Directors on 20 March 2007 and signed on its behalf by

Director



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 United Kingdom accounting standards and pronouncements of the Urgent Issues Task Force. The financial statements contain information about Hawkpoint Holdings Limited as an individual Company and do not contain consolidated financial information as a parent of a group. The Company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in full consolidation in the consolidated financial statements of its ultimate parent Collins Stewart Plc (see note 16).

b) Investments

Investments in subsidiary undertakings are stated at cost less provision for any impairment in value. Current asset investments are included at the lower of cost and net realisable value.

c) 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.

d) Loan notes

Loan notes are initially stated at the fair value of the consideration received after deduction of issue costs. Issue costs together with interest payable are charged to the profit and loss account over the term of the borrowings and represent a constant proportion of the balance of capital repayments outstanding.

NOTES TO THE FINANCIAL STATEMENTS

e) Employee Benefit Trust

In accordance with UITF 38, the Company has aggregated The Damascus II Offshore Trust (the EBT) into its solus financial statements. The net assets of the EBT originate from trading in shares of the Company under the Hawkpoint group employee share acquisition and option schemes. As such the net assets of the EBT have been brought into the balance sheet of the Company with a corresponding credit recognised directly in equity within reserves.

f) Changes in accounting policies

The Company has adopted FRS 20 "Share Based Payment" in these financial statements. The adoption of this standard represents a change in accounting policy and comparative figures have been restated where relevant.

The change in accounting policy has no impact on the current or prior year in respect of the share acquisition programme or the share option plan. In the current year, the new share option scheme existed from 22 December 2006 and no adjustment has been made to the balance sheet for the remaining period as the amount is immaterial. Any charge arising from these schemes is incurred by the Company's subsidiary as the recipient of the services of the employees (see note 13).

2 OPERATING PROFIT

	2006	2005
	£000	£000
Operating profit / (loss) is stated after charging		
Bonus payment to employees of Hawkpoint Partners Limited	921	-

Audit fees have been borne by another group Company and amount to £5,000 (2005 £5,000)

NOTES TO THE FINANCIAL STATEMENTS

3. DIRECTORS' EMOLUMENTS

Directors' emoluments that were paid by the subsidiary, Hawkpoint Partners Limited, in respect of directors of the Company as follows

	2006 £000	2005 £000
Aggregate emoluments	4,124	2,821
Aggregate Company pension contributions paid to money purchase schemes on behalf of three (2005 three) directors	16	62
Highest paid director		
Emoluments	2,060	1,253
Company pension contributions paid to money purchase scheme	3	13

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £000	2005 £000
Other interest payable	373	527

NOTES TO THE FINANCIAL STATEMENTS

5. TAXATION CHARGE

	2006	2005
	£000	£000
Current tax		
UK Corporation tax provided at 30% (2005 30%) on taxable profits for the year	32	12
Prior year adjustment	-	(3)
	<u>32</u>	<u>9</u>

Tax reconciliation

	2006	2005
	£000	£000
(Loss) / profit on ordinary activities before tax	(415)	4,209
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	(124)	1,263
Effects of		
Expenses not deductible for tax purposes	308	-
Non taxable UK dividend income	(210)	(1,275)
Non taxable foreign interest	(6)	-
Prior period adjustment	-	3
Tax (credit) / charge for year	<u>(32)</u>	<u>(9)</u>

NOTES TO THE FINANCIAL STATEMENTS

6. DIVIDENDS

	2006 £000	2005 £000
Equity - 'D' ordinary		
Interim paid 576p (2005 313p) per £1 00 share	561	305

7. FIXED INVESTMENTS

	2006 £000	2005 £000
Shares in group undertakings		
Cost at 31 December 2006	2,100	2,100

Subsidiaries

NAME	PRINCIPAL ACTIVITY	% OF EQUITY AND VOTES HELD	CAPITAL AND RESERVES £000	RETAINED PROFIT FOR THE YEAR £000
Hawkpoint Partners Limited	Corporate finance advice	100	17,493	10,923
Hydra Associates Limited	None	100	-	-

The Company's investment in Hydra Associates Limited was written off in 2003. An application was made to strike this company from the register in June 2006.

All companies were registered in England and Wales.

The Damascus II Offshore Trust is an employee benefit trust and has been aggregated in these accounts. The total assets and liabilities of the trust amounted to £11.0 million and £0.1 million respectively at 31 December 2006.

NOTES TO THE FINANCIAL STATEMENTS

8. CURRENT INVESTMENTS

	2006	2005
	£000	£000
Shares in parent undertakings		
Cost at 31 December 2006	2,817	-

The investments consist of a holding of 1,268,781 ordinary shares of 25p each in Collins Stewart Plc held by The Damascus II Offshore Trust. These shares were recorded at fair value on the date of acquisition on 22 December 2006. The market value of these shares at 31 December 2006 was £3 million.

9. DEBTORS

	2006	2005
	£000	£000
Other debtors	7,129	158
Corporation tax	32	12
	<u>7,161</u>	<u>170</u>

Other debtors of The Damascus II Offshore Trust include £7.1 million in relation to proceeds from the sale of the Company on 22 December 2006.

10. CREDITORS

Amounts falling due within one year

	NOTE	2006	2005
		£000	£000
Cumulative redeemable loan notes	11	-	3,467
Other creditors		74	-
Due to subsidiary undertaking		72	309
		<u>146</u>	<u>3,776</u>

NOTES TO THE FINANCIAL STATEMENTS

11. CREDITORS

Amounts falling due after more than one year

	2006 £000	2005 £000
Cumulative redeemable loan notes 2010		
- after five years	-	2,471

The Company issued 8,000,000 units of fixed rate secured cumulative redeemable loan notes of £1 each ("the Loan Notes") on 11 July 2003. The fixed rate on the Loan Notes is 6% per annum. Under an agreement with the Loan Note holders, the Company must pay a percentage of operating profit each year, subject to a maximum of £4,000,000, in redeeming the notes. The Company redeemed £3,467,000 on 3 April 2006 and the balance of £2,637,000 on 22 December 2006.

12. SHARE CAPITAL

	2006 NUMBER	2006 £000	2005 NUMBER	2005 £000
Authorised				
'A' ordinary shares of £1 each	99,999	100	99,999	100
'B' ordinary shares of £1 each	1	-	1	-
'C' ordinary shares of £1 each	800,000	800	600,000	600
'D' ordinary shares of £1 each	-	-	200,000	200
Redeemable 'A' shares of £0.40 each	105,000	42	105,000	42
		942		942
Share capital allotted, called up and fully paid				
'A' ordinary shares of £1 each	50,001	50	50,001	50
'B' ordinary shares of £1 each	1	-	1	-
'C' ordinary shares of £1 each	636,859	637	539,501	540
'D' ordinary shares of £1 each	-	-	97,358	97
Redeemable 'A' shares of £0.40 each	47,864	19	54,150	22
		706		709

NOTES TO THE FINANCIAL STATEMENTS

On 22 December 2006 the Company was acquired by Collins Stewart Plc and in accordance with the Company's Articles of Association each of the Company's 'D' ordinary shares automatically converted into one 'C' ordinary share

During the year 6,188 Redeemable 'A' shares were redeemed at a price of 40p each, 37 Redeemable 'A' shares were redeemed at a price of 270p each and 61 Redeemable 'A' shares were redeemed at a price of 135p each

Prior to a realisation, only the 'B' Ordinary Share ("BOS") carried the right to vote at general meetings. Upon and following this event, voting rights accrued to the holders of COS and RAS.

Following the acquisition by Collins Stewart Plc of the Company only the holders of COS and RAS are entitled to receive dividends or capital available for distribution.

The Company may redeem RAS at any time at cost.

13. SHARE-BASED PAYMENTS

The Damascus II Offshore Trust (the EBT)

The EBT was established in December 1999 for the benefit of those employed in the business of the Hawkpoint Holdings Limited group companies. Its trustee is The Law Debenture Trust Corporation (Channel Islands) Limited. An Advisory Committee exists to make recommendations to the trustee.

Share option scheme from 22 December 2006

The Company introduced a share based option scheme on 22 December 2006. It has awarded either options to acquire shares, or a variable number of options to acquire shares equivalent to a fixed cash value, in Collins Stewart Plc (the Company's parent) to certain directors, employees and consultants of Hawkpoint Partners Limited. Options are exercisable for nil consideration at the date of vesting. The vesting dates are as set out below. Options are forfeited if the option holder leaves the Company before the options have vested. The Company will fund the cost of the awards using the assets of the EBT.

NOTES TO THE FINANCIAL STATEMENTS

SHARE-BASED PAYMENTS (CONTINUED)

Details of the share options outstanding during the year are as follows

	2006	2005
Option grant date	22/12/2006	-
Share price at grant	£2.22	-
Shares under option	1,149,541	-
No. of directors, employees and consultants	56	-
Vesting dates		
Shares		
27 December 2009	1,149,541	-
Variable share awards (cash equivalent in shares)		
27 December 2009	£2,089,282	-

Under the scheme, the awards will vest 100% on 27 December 2009 and an expense will be recognised over the vesting period of the award in the accounts of Hawkpoint Partners Limited (the Company's subsidiary undertaking) which will receive services from the individuals. The Company does not incur a share based payment charge. Since the Company's obligation will not be met by delivering its own equity instruments, but is covered by assets of the EBT which are aggregated into these accounts, the scheme is accounted for as a cash-settled share based payment scheme and a provision will be recorded to reflect the vesting of the awards in future years.

No options granted under the new share option scheme were exercised in the period.

NOTES TO THE FINANCIAL STATEMENTS

14. MOVEMENTS IN SHAREHOLDERS' FUNDS

COMPANY	CALLED UP SHARE CAPITAL	SHARE PREMIUM	CAPITAL REDEMPTION RESERVE	OTHER RESERVES	PROFIT AND (LOSS) ACCOUNT	TOTAL RESERVES
	£000	£000	£000	£000	£000	£000
As at 1 January 2006	709	3,329	19	-	57	4,114
Shares purchased and called up	(3)	-	3	-	(3)	(3)
Sale of shares in the Company held by the EBT	-	-	-	11,949	-	11,949
Retained profit for the year	-	-	-	-	(944)	(944)
	706	3,329	22	11,949	(890)	15,116

The movement in other reserves represents the gains of The Damascus II Offshore Trust in relation to the sale of shares in the Company. The other reserves are distributable.

15. FINANCIAL COMMITMENTS AND CONTINGENCIES

Share acquisition programme

The Company sponsors share based payment schemes on behalf of its subsidiary undertaking Hawkpoint Partners Limited. The schemes are designed to align the employee's interests with those of shareholders by encouraging employees to acquire shares in the group. Prior to the acquisition of the Company by Collins Stewart Plc on 22 December 2006 the schemes related to the Company's own shares. The Damascus II Offshore Trust (the EBT) bought and sold shares of the Company to and from employees of Hawkpoint Partners Limited and options were also granted to certain of its employees.

Under these schemes, the Company had a right to repurchase the shares and, as a matter of practice, had exercised this right on the departure of employees from the subsidiary. The obligations under the scheme are considered to be commitments of the Company. The amount of this commitment at 31 December 2005 was estimated to be £14.4 million. This scheme ceased on 22 December 2006 when the Hawkpoint Group was acquired by Collins Stewart Plc and therefore all commitments under the scheme at that date have been extinguished. The schemes are treated as equity-settled share based payment plans in the accounts of Hawkpoint Partners Limited.

NOTES TO THE FINANCIAL STATEMENTS

Details of the shares in the Company outstanding and purchased and sold in the period by the EBT are shown below

	2006 NUMBER	2005 NUMBER
<hr/>		
Shares held by employees		
Redeemable A shares	44,690	44,788
C Ordinary shares	503,922	519,032
Shares acquired by employees in period		
C Ordinary shares	10,500	74,792
C Ordinary shares (weighted average fair value - £)	£33 00	£12 67

Value added tax

The Company is registered with HM Revenue & Customs as a member of a 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

16. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The ultimate parent Company and controlling party is Collins Stewart Plc which is registered in England and Wales. The accounts of Collins Stewart Plc are available to the public and may be obtained from the Company Secretary at 9th floor, 88 Wood Street, London EC2V 7QR