

Company No. 3875826

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## **HAWKPOINT HOLDINGS LIMITED**

### **Directors' Report and Consolidated Financial Statements**

**31 December 2004**

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## **DIRECTORS' REPORT**

The Directors present their annual report together with the audited financial statements of the Company and the Group for the year ended 31 December 2004.

### **PRINCIPAL ACTIVITY**

The principal activity of the Company is an investment holding company whose subsidiary undertaking, Hawkpoint Partners Limited is engaged in the business of providing corporate finance advisory and consulting services. Hawkpoint Partners Limited is authorised and regulated by The Financial Services Authority ("FSA").

The focus of the Group's activities is to provide corporate finance advice to Financial Institutions and to the Corporate and Private Equity communities.

### **REVIEW OF BUSINESS**

The mid-market saw increased activity in 2004, with the Company experiencing enhanced deal flow and being retained by several new corporate clients. The Company generated revenues of £31.1 million, an increase of 28% on the preceding year. A number of high profile transactions were executed on behalf of new and existing clients. The outlook for 2005 is positive.

### **RESULTS AND DIVIDENDS**

The results for the year are shown on page 7. A dividend of 313p (2003: Nil) is proposed on each 'D' ordinary share. The Group paid nil dividends this year (2003: 6.3p) to the preference shareholders of Hawkpoint Partners Limited.

### **SHARE CAPITAL**

Details of changes in the Company's share capital during the year are given in note 15 to the financial statements.

**DIRECTORS' REPORT****DIRECTORS**

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

PM Baines

RH Briance

RH Brooks

AF Irby (resigned 14 July 2004)

DAC Reid Scott

VE Treves

RG Woodhead (appointed 14 July 2004)

**DIRECTORS' INTERESTS**

The beneficial interests of those who were directors at 31 December 2004 in the shares of the Company were:

	<b>REDEEMABLE A SHARES</b>		<b>C ORDINARY SHARES</b>	
	<b>31 DEC 2004</b>	<b>31 DEC 2003</b>	<b>31 DEC 2004</b>	<b>31 DEC 2003</b>
PM Baines	1,961	1,961	45,295	30,000
RH Briance	4,903	4,903	50,001	50,001
DAC Reid Scott	4,902	4,902	67,500	70,000

No directors held any interest in contracts with the Company.

**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.

## DIRECTORS' REPORT

### DONATIONS

Charitable donations of £600 (2003: £2,050) were made by the Group during the year.

### AUDITORS

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

By Order of the Board



J J Moczarski

Secretary

4 Great St Helen's

London

EC3A 6HA

10 March 2005

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Company and the Group and of the profit or loss of the Group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention of fraud and other irregularities.

On behalf of the Board



J J Moczarski

Secretary

4 Great St Helen's

London

EC3A 6HA

10 March 2005

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF HAWKPOINT HOLDINGS LIMITED**

We have audited the financial statements which comprise the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement and related notes.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors' responsibilities are for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards as set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **BASIS OF AUDIT 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.

## INDEPENDENT AUDITORS' REPORT

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 affairs of the Company and the Group at 31 December 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A large, stylized handwritten signature in black ink, reading "PricewaterhouseCoopers LLP".

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Southwark Towers  
32 London Bridge Street  
London  
SE1 9SY

24 March 2005

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2004

	NOTE	2004 £000	2003 £000
Turnover		31,082	24,205
Administrative expenses		(25,886)	(21,928)
Operating profit before amortisation of goodwill		5,196	2,277
Amortisation and impairment of goodwill	2, 8	(402)	(3,231)
<b>Operating profit / (loss)</b>	2	4,794	(954)
Interest receivable and similar income		602	266
Interest payable and similar charges	5	(598)	(623)
Profit / (loss) on ordinary activities before taxation		4,798	(1,311)
Taxation charge on profit / (loss) on ordinary activities	6	(1,696)	(735)
(Loss) / profit on ordinary activities after taxation		3,102	(2,046)
Minority interest	7	-	(130)
Dividend		(305)	-
Retained profit / (loss) for the year		2,797	(2,176)

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 16.

## CONSOLIDATED BALANCE SHEET

As at 31 December 2004

	NOTE	2004 £000	2003 £000
<b>Fixed assets</b>			
Intangible assets	8	4,014	4,416
Tangible assets	9	225	259
Investments	10	46	229
		<u>4,285</u>	<u>4,904</u>
<b>Current assets</b>			
Debtors	11	5,326	8,132
Cash at bank and in hand		19,212	9,904
		<u>24,538</u>	<u>18,036</u>
<b>Creditors: Amounts falling due within one year</b>	12	<u>(16,943)</u>	<u>(10,627)</u>
<b>Net current assets</b>		<u>7,595</u>	<u>7,409</u>
<b>Total assets less current liabilities</b>		<u>11,880</u>	<u>12,313</u>
<b>Creditors: Amounts falling due after more than one year</b>	13	<u>(5,806)</u>	<u>(9,467)</u>
<b>Provisions for liabilities and charges</b>	14	<u>(389)</u>	<u>-</u>
<b>Net assets</b>		<u>5,685</u>	<u>2,846</u>
<b>Capital and Reserves</b>			
Called up share capital	15,16	709	700
Share premium	16	3,329	3,296
Capital redemption reserve	16	19	19
Profit and loss account	16	1,628	(1,169)
<b>Total shareholders' funds</b>	15, 16	<u>5,685</u>	<u>2,846</u>
<b>Analysis of shareholders' funds</b>			
Equity		5,663	2,828
Non-equity	15	22	18
		<u>5,685</u>	<u>2,846</u>

These financial statements were approved by the Board of Directors on 10 March 2005 and signed on its behalf by:

Director



## BALANCE SHEET

As at 31 December 2004

	NOTE	2004 £000	2003 £000
<b>Fixed assets</b>			
Investments	10	2,100	2,100
<b>Current assets</b>			
Debtors	11	210	3,518
Cash at bank and in hand		11,787	2,552
		11,997	6,070
<b>Creditors: Amounts falling due within one year</b>	12	(7,696)	(225)
<b>Net current assets / (liabilities)</b>		4,301	5,845
<b>Total assets less current liabilities</b>		6,401	7,945
<b>Creditors: Amounts falling due after more than one year</b>	13	(5,806)	(7,658)
<b>Net assets</b>		595	287
<b>Capital and Reserves</b>			
Called up share capital	15, 16	709	700
Share premium	16	3,329	3,296
Capital redemption reserve	16	19	19
Profit and loss account	16	(3,462)	(3,728)
<b>Total shareholders' funds</b>	15, 16	595	287
<b>Analysis of shareholders' funds</b>			
Equity		573	269
Non-equity	15	22	18
		595	287

These financial statements were approved by the Board of Directors on 10 March 2005 and signed on its behalf by:

Director



## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	NOTE	2004 £000	2003 £000
<b>Net cash inflow from operating activities</b>	17	11,812	2,923
<b>Returns on investments and servicing of finance</b>			
Interest received		597	237
Interest paid		(536)	(132)
Non-equity dividends paid to shareholders		-	(130)
		61	(25)
<b>Taxation</b>			
UK Corporation tax paid		(725)	(1,338)
<b>Capital expenditure and financial investments</b>			
Purchase of fixed assets		(172)	(86)
Sale of fixed assets		6	-
Money market funds repaid		183	-
		17	(86)
<b>Acquisitions and disposal</b>			
Acquisition consideration	18	(1,900)	(4,700)
Purchase of preference shares	18	-	(2,050)
		(1,900)	(6,750)
<b>Financing</b>			
Net issue of shares	15	43	1,665
Redeemable Loan Notes	13	-	7,632
		43	9,297
<b>Increase in cash</b>	18	9,308	4,021

## 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 and Group'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.

*b) Basis of consolidation*

The consolidated profit and loss and balance sheet include the financial statements of the Group made up to 31 December 2004. Intra group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the Group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

As permitted by section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. The profit for the financial year amounted to £266,000 (2003 loss: £4,917,000).

*c) Investments*

Fixed asset investments 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.

*d) Fixed assets*

Fixed assets are those assets that are intended for use on a continuing basis in the Company's and Group's activities.

Fixed assets are carried at cost being the invoiced cost to the Company, less provision for depreciation. No revaluations have been undertaken and none are planned.

Software is written off in the year of purchase, as are small (under £500) items of capital equipment.

## NOTES TO THE FINANCIAL STATEMENTS

*d) Fixed assets (continued)*

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

Computer equipment	3 years
Furniture	5 years
Improvements to leasehold property	life of lease

*e) Goodwill*

Goodwill represents the excess of the fair value of consideration paid and payable over the fair value of the separable assets acquired. Amounts of deferred cash consideration are discounted to the date of acquisition using an appropriate discount rate. Each year a review is made to establish whether any circumstances have led to an impairment to the value of the goodwill.

Purchased goodwill of Hawkpoint Partners Limited is capitalised in intangible assets and amortised in equal annual instalments over its estimated useful life of 15 years.

*f) 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.

*g) Turnover*

Turnover represents fees, stated net of value added tax, which are credited to the profit and loss account when earned in accordance with the terms of the letter of engagement.

*h) Leases*

Assets held under operating leases are not reported in the balance sheet. Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis.

## NOTES TO THE FINANCIAL STATEMENTS

*i) Pension costs*

The Group participates in defined contribution pension schemes, the assets of which are held in separate trustee administered funds. The amounts charged in the profit and loss account represent the amounts due for all current employees and any difference between the amounts charged and paid is shown in the balance sheet as a current liability.

*j) Deferred consideration*

Obligations to pay consideration to third parties in respect of an acquisition of a business are recorded at the directors' estimate of the fair value at the date of acquisition.

Subsequently the liability is recorded at amortised cost. The difference between the face value of the obligations and the discounted amount is amortised to the profit and loss account over the period of the obligations on a constant yield basis.

*k) Loan notes*

Loan notes are initially stated at the fair value of the consideration received after deduction of issue costs. Issues 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.

## 2. OPERATING PROFIT / (LOSS)

GROUP	2004 £000	2003 £000
Operating profit / (loss) is stated after charging:		
Depreciation of tangible fixed assets	120	170
Operating lease charges		
– Rent	1,816	1,952
– Furniture, fixtures, equipment	486	486
– Exceptional item: Impairment of goodwill	-	1,912
– Amortisation of goodwill	402	1,319
– Loss on disposal of tangible fixed assets	80	1
Auditors' remuneration:		
– Audit fees	36	34
– Other services	21	105

## NOTES TO THE FINANCIAL STATEMENTS

### 2. OPERATING PROFIT / (LOSS) (continued)

The remaining goodwill from the acquisition of Hydra Associates Limited was written off in 2003 due to the departure of a principal director. As a result, an additional charge of £1,912,000 was made to the profit and loss account in 2003.

### 3. EMPLOYEE COSTS AND NUMBERS

GROUP	2004 £000	2003 £000
Employee costs (including directors)		
Wages and salaries	16,175	13,066
National insurance costs	2,073	1,564
Other pension costs	542	709
Staff costs	18,790	15,339

#### Number of employees (including directors)

The average number of persons employed during the year was:

Professional staff and direct support	76	80
Administration	26	27
	102	107

## NOTES TO THE FINANCIAL STATEMENTS

## 4. DIRECTORS' EMOLUMENTS

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

<b>GROUP</b>	<b>2004 £000</b>	<b>2003 £000</b>
Aggregate emoluments	2,742	1,711
Aggregate Company pension contributions paid to money purchase schemes on behalf of three (2003: three) directors	59	54
Highest paid director:		
Emoluments	1,110	659
Company pension contributions paid to money purchase scheme	34	30

## 5. INTEREST PAYABLE AND SIMILAR CHARGES

<b>GROUP</b>	<b>2004 £000</b>	<b>2003 £000</b>
Unwind of discounted consideration	91	214
Other interest payable	507	409
	<u>598</u>	<u>623</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 6. TAXATION CHARGE

<b>GROUP</b>	<b>2004 £000</b>	<b>2003 £000</b>
Current tax		
UK Corporation tax provided at 30% (2003: 30%) on taxable profits for the year	1,700	743
Prior year adjustment	(4)	(8)
	<u>1,696</u>	<u>735</u>

## Tax reconciliation

<b>GROUP</b>	<b>2004 £000</b>	<b>2003 £000</b>
Profit / (loss) on ordinary activities before tax	4,798	(1,311)
Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	<u>1,439</u>	<u>(393)</u>
Effects of:		
Expenses not deductible for tax purposes	115	92
Goodwill and finance expense	148	1,033
Capital allowances for period in excess of depreciation	(2)	9
Other	-	2
Prior period adjustment	(4)	(8)
Current tax charge for year	<u>1,696</u>	<u>735</u>

No deferred tax asset has been recorded with respect to the excess of capital allowances over depreciation because the amount is insignificant.

## NOTES TO THE FINANCIAL STATEMENTS

## 7. MINORITY INTERESTS

The minority interests relate to £2,050,000 class "A" non-cumulative redeemable preference shares issued by the subsidiary Hawkpoint Partners Limited. Hawkpoint Holdings Limited purchased the 'A' non-cumulative redeemable preference shares on 11 July 2003 from Royal Bank of Scotland plc for £2,050,000.

The 'A' non-cumulative redeemable preference shares carry a fixed preferential dividend at the rate of 12.0% per annum, payable half yearly in arrears on 30 June and 31 December. The Company has waived the right to this dividend for the time being.

## 8. INTANGIBLE ASSETS - GOODWILL

<b>GROUP</b>	<b>2004 £000</b>	<b>2003 £000</b>
<b>Cost</b>		
At 1 January 2004	11,112	11,112
<b>Amortisation</b>		
At 1 January 2004	6,696	3,465
Charge for the year	402	3,231
At 31 December 2004	7,098	6,696
<b>Net book value</b>	<b>4,014</b>	<b>4,416</b>

The deferred consideration in respect of the acquisition of the business of Hawkpoint Partners Limited has been discounted from the anticipated settlement date. The directors have chosen to use a risk-free rate of interest, as it is not practical to determine accurately the market rate at which the Company could have obtained a similar borrowing at the date of acquisition.

## NOTES TO THE FINANCIAL STATEMENTS

## 9. TANGIBLE ASSETS

<b>GROUP</b>	<b>LEASEHOLD PROPERTY £000</b>	<b>EQUIPMENT &amp; FURNITURE £000</b>	<b>FIXTURES &amp; FITTINGS £000</b>	<b>TOTAL £000</b>
<b>Cost</b>				
At 1 January 2004	94	500	143	737
Additions	47	124	1	172
Disposals	(68)	(110)	(95)	(273)
At 31 December 2004	73	514	49	636
<b>Depreciation</b>				
At 1 January 2004	26	384	68	478
Charge for the year	35	65	20	120
On disposals	(23)	(108)	(56)	(187)
At 31 December 2004	38	341	32	411
<b>Net book value</b>				
At 31 December 2004	35	173	17	225
At 31 December 2003	68	116	75	259

## 10. INVESTMENTS

<b>GROUP</b>	<b>2004 £000</b>	<b>2003 £000</b>
Money market funds	46	229

At 31 December 2004, the money market funds purchased have been pledged to a bank as security for a guarantee issued by that bank in favour of a third party.

## NOTES TO THE FINANCIAL STATEMENTS

## 10. INVESTMENTS (continued)

<b>COMPANY</b>	<b>2004 £000</b>	<b>2003 £000</b>
Shares in group undertakings		
Cost		
At 1 January 2004	2,100	4,806
Additions	-	2,050
Write off	-	(4,756)
At 31 December 2004	2,100	2,100

The investment of £4,756,000 in Hydra Associates Limited was written off in 2003 due to the departure of a principal director.

## Subsidiaries

<b>NAME</b>	<b>PRINCIPAL ACTIVITY</b>	<b>% OF EQUITY AND VOTES HELD</b>
Hawkpoint Partners Limited	Corporate finance advice	100
Hydra Associates Limited	Media consultancy	100

All companies were registered in England and Wales.

All subsidiaries have the same year end as the Company and they have all been included in the Group consolidation.

## NOTES TO THE FINANCIAL STATEMENTS

## 11. DEBTORS

<b>GROUP</b>	<b>2004 £000</b>	<b>2003 £000</b>
Trade debtors	3,953	6,914
Other debtors	196	31
Prepayments and accrued income	1,177	1,187
	<u>5,326</u>	<u>8,132</u>

<b>COMPANY</b>	<b>2004 £000</b>	<b>2003 £000</b>
Corporation tax	55	46
Due from group undertakings	155	3,472
	<u>210</u>	<u>3,518</u>

## 12. CREDITORS

## Amounts falling due within one year

<b>GROUP</b>	<b>2004 £000</b>	<b>2003 £000</b>
Trade creditors	141	170
Taxation and social security	1,548	1,882
Corporation tax	1,164	106
Other creditors	3,777	1,888
Accruals and deferred income	10,313	6,581
	<u>16,943</u>	<u>10,627</u>

Within other creditors is an amount of £1,881,000 (2003: £1,881,000) relating to deferred consideration in respect of the acquisition of the Hawkpoint business that is secured by a fixed and floating charge over the assets of the Group (see note 19).

## NOTES TO THE FINANCIAL STATEMENTS

## 12. CREDITORS (continued)

## Amounts falling due within one year

COMPANY	NOTE	2004 £000	2003 £000
Accruals and deferred income		-	225
Cumulative redeemable loan notes	13	1,896	-
Dividend payable		305	-
Due to subsidiary undertaking		5,495	-
		<u>7,696</u>	<u>225</u>

## 13. CREDITORS

## Amounts falling due after more than one year

GROUP	NOTE	2004 £000	2003 £000
Deferred consideration for acquisition	19d)		
– between one and two years		-	1,809
Cumulative redeemable loan notes 2010			
– after five years		5,806	7,658
		<u>5,806</u>	<u>9,467</u>

COMPANY	2004 £000	2003 £000
Cumulative redeemable loan notes 2010		
– after five years	5,806	7,658

## NOTES TO THE FINANCIAL STATEMENTS

### 13. CREDITORS (continued)

#### Amounts falling due after more than one year

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. Unless fully redeemed, the remainder of the Loan Notes will be redeemed at par on 11 July 2010. The Company will be redeeming £1,896,000 under this arrangement on 1 April 2005.

The Loan Notes will immediately become repayable and the Company must redeem the Loan Notes at par if certain conditions are not met. The Loan Notes are secured by a fixed and floating charge over the assets of the Group.

The deferred consideration in respect of the acquisition of the business of Hawkpoint Partners Limited has been discounted from the anticipated settlement dates to the date of acquisition (see note 8). The amount of the discount is being charged to the profit and loss account over the period to the final settlement date (see note 18b). This has resulted in a charge to interest payable of £91,000 during the year (2003: £214,000).

### 14. PROVISIONS FOR LIABILITIES AND CHARGES

The Company has a potential liability in respect of employee remuneration costs. The maximum exposure is £779,000 and a provision of £389,000 has been made in these accounts. The directors consider this provision to be adequate given the information currently available. As permitted by FRS 10, no further disclosure has been made.

## NOTES TO THE FINANCIAL STATEMENTS

## 15. SHARE CAPITAL

## Equity

	2004 NUMBER	2004 £000	2003 NUMBER	2003 £000
<b>Authorised</b>				
'A' ordinary shares of £1 each	99,999	100	99,999	100
'C' ordinary shares of £1 each	600,000	600	600,000	600
'D' ordinary shares of £1 each	200,000	200	200,000	200
		900		900
<b>Share capital allotted, called up and fully paid</b>				
'A' ordinary shares of £1 each	50,001	50	50,001	50
'C' ordinary shares of £1 each	539,501	540	534,511	535
'D' ordinary shares of £1 each	97,358	97	97,358	97
		687		682

During the year 4,990 C ordinary shares were issued at a price of £6.70 each.

## Non-equity

	2004 NUMBER	2004 £000	2003 NUMBER	2003 £000
<b>Authorised</b>				
'B' ordinary shares of £1 each	1	-	1	-
Redeemable 'A' shares of £0.40 each	105,000	42	105,000	42
		42		42
<b>Share capital allotted, called up and fully paid</b>				
'B' ordinary shares of £1 each	1	-	1	-
Redeemable 'A' shares of £0.40 each	54,199	22	44,584	18
		22		18

## NOTES TO THE FINANCIAL STATEMENTS

### 15. SHARE CAPITAL (continued)

During the year 15,166 Redeemable A shares were redeemed at a price of 60p each, 2,610 Redeemable A shares were redeemed at a price of 50p each and 2,941 Redeemable A shares were redeemed at a total price of 50p.

The rights attaching to the share capital change in the event of a sale or flotation ("event") of the Company. Unless an event occurs, the rights attaching to each redeemable 'A' share ("RAS") will be nominal. If an event occurs the rights attaching to each RAS will become equivalent to the rights attaching to each 'C' ordinary share ("COS") so that each RAS and COS have the same value; at the same time the rights attaching to the 'A' Ordinary Shares ("AOS") will be substantially reduced so that their value becomes nominal. Immediately prior to an event occurring each and every 'D' ordinary share ("DOS") shall automatically be converted into one COS.

Only the 'B' Ordinary Share ("BOS") carries the right to vote at general meetings. Upon and following an event, voting rights will accrue to the holders of COS and RAS.

The holders of AOS, COS and DOS are entitled to receive dividends resolved to be distributed. The DOS are entitled to a dividend each financial year that is determined based upon the profit after tax of the Company and after any amount redeemed on the Loan Notes (see note 13).

Neither the BOS nor the RAS carry dividend rights. Upon and following an event only the holders of COS and RAS will be entitled to receive dividends.

The priorities on returning capital sums to shareholders are: first to the DOS; second the AOS and COS; third the BOS; fourth the RAS; fifth the surplus will be distributed amongst the AOS, COS and DOS. Upon and following an event, and subject to certain nominal repayments of capital, the holders of the COS and RAS will be entitled to the capital available for distribution.

The Company may redeem the RAS at any time at cost.

## NOTES TO THE FINANCIAL STATEMENTS

## 16. MOVEMENTS IN SHAREHOLDERS FUNDS

GROUP	CALLED UP SHARE CAPITAL £ 000	SHARE PREMIUM £ 000	CAPITAL REDEMPTION RESERVE £ 000	PROFIT AND (LOSS) ACCOUNT £ 000	TOTAL RESERVES £ 000
As at 31 January 2004	700	3,296	19	(1,169)	2,846
Shares issued	11	32	-	-	43
Shares purchased and cancelled	(2)	1	-	-	(1)
Retained profit for the year	-	-	-	2,797	2,797
	709	3,329	19	1,628	5,685

COMPANY	CALLED UP SHARE CAPITAL £ 000	SHARE PREMIUM £ 000	CAPITAL REDEMPTION RESERVE £ 000	PROFIT AND (LOSS) ACCOUNT £ 000	TOTAL RESERVES £ 000
As at 31 January 2004	700	3,296	19	(3,728)	287
Shares issued	11	32	-	-	43
Shares purchased and cancelled	(2)	1	-	-	(1)
Retained profit for the year	-	-	-	266	266
	709	3,329	19	(3,462)	595

## 17. CASH FLOW FROM OPERATING ACTIVITIES

	2004 £ 000	2003 £ 000
Operating profit / (loss)	4,794	(954)
Amortisation of goodwill	402	3,231
Depreciation	120	170
Loss on sale of fixed assets	80	-
Decrease / (Increase) in debtors	2,811	(3,194)
Increase in creditors	3,605	4,390
Net cash inflow from operations	11,812	2,923

## NOTES TO THE FINANCIAL STATEMENTS

## 18. RECONCILIATIONS FOR THE CASH FLOW STATEMENT

	2004 £ 000	2003 £ 000
a) Movement in net cash		
Cash in hand and at bank	9,308	4,021
Increase in cash	9,308	4,021
b) Net cash flow to movement in net (debt)/funds		
Increase in cash	9,308	4,021
Repayment of debt	1,900	4,700
Issue of Loan stock	-	(7,664)
Non-cash changes	(129)	(214)
Movement in net funds	11,709	843

	AT 1 JAN 2004 £000	CASH FLOWS £ 000	OTHER NON CASH CHANGES £ 000	NET MOVEMENTS £ 000	AT 31 DEC 2004 £ 000
c) Analysis of net funds / (debt)					
Cash in hand and at bank	9,904	9,308	-	9,308	19,212
Debt due within one year	(1,881)	1,900	(3,796)	(1,896)	(3,777)
Debt due after one year	(1,809)	-	1,809	1,809	-
After five years	(7,664)	-	1,858	1,858	(5,806)
Net (debt)/funds	(1,450)	11,208	(129)	11,079	9,629

## 19. FINANCIAL COMMITMENTS AND CONTINGENCIES

- a) At 31 December 2004 the Group had annual commitments under non-cancellable operating leases expiring as follows:

	LAND & BUILDINGS £000	OTHER £000	TOTAL £000
Within one year	2,233	-	2,233
Within two to five years	7,162	-	7,162
After five years	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

## 19. FINANCIAL COMMITMENTS AND CONTINGENCIES (continued)

## b) Group VAT registration

The Company is registered with HM Customs & Excise 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.

## c) On 14 February 2002, Hawkpoint Partners Limited guaranteed all obligations to National Westminster Bank Plc of each other company within the Group. The total outstanding obligation to National Westminster Bank Plc is £1,900,000.

## d) Maturity of financial liabilities

	<b>2004</b> <b>£000</b> <b>DEBT</b>	<b>2004</b> <b>£000</b> <b>TOTAL</b>	<b>2003</b> <b>£000</b> <b>DEBT</b>	<b>2003</b> <b>£000</b> <b>TOTAL</b>
In one year or less or on demand	3,796	3,796	1,900	1,900
between one and two years	-	-	1,900	1,900
after five years	6,104	6,104	8,000	8,000
	<u>9,900</u>	<u>9,900</u>	<u>11,800</u>	<u>11,800</u>

Debt financial liabilities of £1,900,000 are subject to a fixed and floating charge over the assets of Hawkpoint Partners Limited and represents the final instalment due in respect of the acquisition of the business (see notes 12 and 13).

Hawkpoint Holdings Limited has entered into an agreement with The Law Debenture Trust Corporation (Channel Islands) Limited as trustee of The Damascus II Offshore Trust to lend to the Trust up to an amount of £456,000. Interest is chargeable on the amount drawn down at the base lending rate of the Royal Bank of Scotland Plc.

## 20. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The ultimate parent company and controlling party is The Law Debenture Trust Corporation (Channel Islands) Limited, which is registered in Jersey.