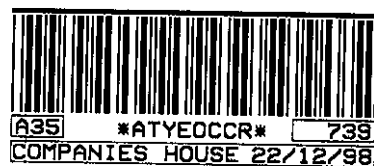


HUNTING GATE CONSTRUCTION plc AND SUBSIDIARY COMPANIES

Year ended

30th September 1998



HUNTING GATE CONSTRUCTION plc AND SUBSIDIARY COMPANIES

Annual report and financial statements for the year ended 30th September 1998

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4.	Consolidated balance sheet
5.	Balance Sheet
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7.	Notes forming part of the accounts
18.	Report of the auditors

Directors

D B Taylor	-	Chairman
C F Benham	-	Managing
M Freeman	-	Marketing
S W Holloway	-	Construction
I N Saunders	-	Commercial
P Cowan	-	Surveying
J P Walters		

Secretary and registered office

A R Wilson, 4 Hunting Gate, Hitchin, Herts SG4 0TB

Company number

1617719

Auditors

BDO Stoy Hayward, 8 Baker Street, London W1M 1DA

HUNTING GATE CONSTRUCTION plc AND SUBSIDIARY COMPANIES

Report of the directors for the year ended 30th September 1998

The directors submit their annual report together with the audited financial statements of the group for the year ended 30th September 1998.

Principal activity

The principal activities of the group are construction and house building, which are regarded by the directors as a single class of business.

Results, dividends, trading review and future developments

The profit and loss account is set out on page 3 and shows the group's profit for the year. The directors do not recommend the payment of a dividend for the year under review.

On 1st December 1997 the company acquired the whole of the share capital of F.R. Bartlett Limited and Bartlett Construction Limited, two companies based in Yeovil, Somerset.

The group has an excellent secured workload in both commercial and housing contracts. Despite the skill shortages in the industry the directors are confident of continued progress in terms of volume and profitability. Further acquisitions are being pursued.

There have been no events since the balance sheet date which materially affect the company.

Creditor payment policy

The Group's policy on supplier payments is to ensure that the terms of payment specified and agreed with creditors are not exceeded. Creditor days at the year end were 54 (1997 - 48).

Directors

The directors of the company during the year were as follows:

D B Taylor	-	Chairman
C F Benham	-	Managing
M Freeman	-	Marketing
S W Holloway	-	Construction
I N Saunders	-	Commercial
P Cowan	-	Surveying (appointed 1st October 1997)
J P Walters		

None of the directors held a beneficial interest in the shares of the company in this or the previous year. M Freeman, P Cowan, S W Holloway, I N Saunders and C F Benham had no beneficial interest in the shares of the ultimate parent company. The interests of the other directors in the share capital of the parent company are disclosed in the consolidated financial statements of that company.

HUNTING GATE CONSTRUCTION plc AND SUBSIDIARY COMPANIES

Report of the directors for the year ended 30th September 1998 (continued)

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

Fixed assets

Particulars of changes in tangible assets are given in note 7 to the accounts.

Employment policy

In providing employment, it is the group's policy to ensure that discrimination of any kind will not be an obstacle to recruitment, training or promotion of staff.

The group is committed to the development of employee consultation and thereby to their greater involvement in the group's operations.

Year 2000 Compliance

The directors are currently reviewing the company's operating systems to assess the risks to its business in relation to Year 2000 compliance. From this review a prioritised action plan will be developed and implemented. Whilst it is not possible to guarantee that no year 2000 problems will remain, the board believe that it will achieve an acceptable state of readiness to deal promptly with significant issues that might arise. Costs of the review, which are not expected to be significant, are to be written off to the profit and loss account as they are incurred.

Auditors

Messrs BDO Stoy Hayward offer themselves for reappointment as auditors of the company.

By order of the board,



A R Wilson
Secretary

17th December 1998

HUNTING GATE CONSTRUCTION plc AND SUBSIDIARY COMPANIES

Consolidated profit and loss account for the year ended 30th September 1998

	Note	1998 £'000	1997 £'000
Turnover	2		
Acquisition		10,818	-
Continuing operations (excluding acquisitions)		37,308	24,316
		<u>48,126</u>	<u>24,316</u>
Cost of sales	5	(45,645)	(22,164)
Gross profit	5	2,481	2,152
Administrative expenses	5	(2,434)	(1,571)
Rents receivable	5	20	-
Other operating income	5	3	-
Operating profit			
Acquisition		170	-
Continuing operations (excluding acquisitions)	5	(100)	581
		<u>70</u>	<u>581</u>
Interest receivable		124	-
Interest payable and similar charges	4	(4)	-
Profit on ordinary activities before taxation	5	190	581
Taxation on ordinary activities	6	(2)	-
Profit on ordinary activities after taxation for the year	14	<u>188</u>	<u>581</u>

All amounts relate to continuing activities.

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

There were no movements in shareholders' funds apart from the profit in the year.

The notes on pages 7 to 17 form part of these accounts.

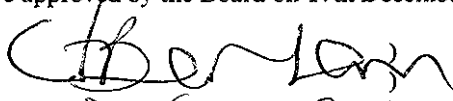
HUNTING GATE CONSTRUCTION plc AND SUBSIDIARY COMPANIES

Consolidated balance sheet at 30th September 1998

	Note	1998	1997
		£'000	£'000
Fixed assets			
Tangible assets	7	250	81
Intangible assets	8	(81)	-
		<u>169</u>	<u>81</u>
Current assets			
Debtors due within one year	10	10,029	4,453
Cash at bank and in hand		4,004	3,670
		<u>14,033</u>	<u>8,123</u>
Creditors			
Amounts falling due within one year	11	10,622	4,812
		<u></u>	<u></u>
Net current assets		<u>3,411</u>	<u>3,311</u>
Total assets less current liabilities		<u>3,580</u>	<u>3,392</u>
Capital and reserves			
Called up share capital	13	50	50
Profit and loss account	14	3,530	3,342
		<u></u>	<u></u>
Shareholders funds (equity)		<u>3,580</u>	<u>3,392</u>

The accounts were approved by the Board on 17th December 1998

C F Benham



D B Taylor



Directors

The notes on pages 7 to 17 form part of these accounts.

HUNTING GATE CONSTRUCTION plc

Company balance sheet at 30th September 1998

	Note	£'000	1998 £'000	1997 £'000
Fixed assets				
Tangible assets	7		105	81
Investments	9		311	-
			<u>416</u>	<u>81</u>
Current assets				
Debtors	10	7,449		4,453
Cash at bank and in hand		3,495		3,670
		<u>10,944</u>		<u>8,123</u>
Creditors				
Amount falling due within one year	11	7,780		4,812
		<u></u>		<u></u>
Net current assets			<u>3,164</u>	<u>3,311</u>
Total assets less current liabilities			<u>3,580</u>	<u>3,392</u>
Capital and reserves				
Called up share capital	13		50	50
Revaluation reserve	14		166	-
Profit and loss account	14		3,364	3,342
			<u>3,580</u>	<u>3,392</u>
Shareholders funds (equity)			<u>3,580</u>	<u>3,392</u>

The accounts were approved by the Board on 17th December 1998

C F Benham



D B Taylor



Directors

The notes on pages 7 to 17 form part of these accounts.

HUNTING GATE CONSTRUCTION plc AND SUBSIDIARY COMPANIES

Consolidated cash flow statement for the year ended 30th September 1998

	Note	1998 £'000	1997 £'000
Net cash inflow /(outflow) from operating activities	20	997	(192)
Returns on investment and servicing of finance			
Interest received		124	-
Interest paid		(4)	-
		<hr/>	<hr/>
		120	-
Taxation			
Prior year's corporation tax paid		(2)	-
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(89)	(40)
Receipts from sales of tangible fixed assets		9	-
		<hr/>	<hr/>
		(80)	(40)
Acquisitions and disposals			
Purchase of subsidiary undertakings		(145)	-
Net overdrafts acquired with subsidiary undertakings		(556)	-
		<hr/>	<hr/>
	8	(701)	-
		<hr/>	<hr/>
Net cash inflow/(outflow) before financing		334	(232)
Financing			
Issue of share capital		-	50
		<hr/>	<hr/>
Increase in cash	21	334	(182)
		<hr/>	<hr/>

The notes on pages 7 to 17 form part of these accounts.

HUNTING GATE CONSTRUCTION plc AND SUBSIDIARY COMPANIES

Notes forming part of the accounts for the year ended 30th September 1998

1. Accounting policies

The accounts have been prepared under the historical cost convention in accordance with applicable accounting standards as modified by the revaluation of certain assets and using the following principal accounting policies. There have been no changes in accounting policies during the year.

Basis of consolidation

The consolidated accounts incorporate the accounts of Hunting Gate Construction plc and all its subsidiaries made up to 30th September 1998. The results of subsidiary undertakings are included from their date of acquisition.

Negative goodwill

Negative goodwill arising on the acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is being amortised in the profit and loss account in twelve equal monthly instalments from the date of acquisition.

Turnover

Turnover comprises the total proceeds of building and development on which profit has been taken, and amounts invoiced for other activities. The turnover and costs of sales on contracts which had been acquired under novation arrangements during the previous year had been accounted for in full, including that element of activity undertaken by the previous contractor, recognising the group's responsibility for the full contract sum.

Intercompany transactions are excluded, as is rental income from properties.

Basis of taking profit

Profit is taken, other than in the case of long term contracts, on legal completion of sales, or on completion of the contract.

In the case of long term contracts, attributable profit is taken when there is reasonable certainty that a contract will be profitable. Provision is made for any anticipated losses on contracts.

Pension costs

Contributions to the ultimate parent company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

HUNTING GATE CONSTRUCTION plc AND SUBSIDIARY COMPANIES

Notes forming part of the accounts for the year ended 30th September 1998 (continued)

1. Accounting policies (continued)

Depreciation

Depreciation is calculated to write off the cost of fixed assets over their expected useful lives at rates of 20% to 35% per annum on written down values.

Long term contracts

Amounts recoverable on long term contracts represent the excess of the value of work carried out over cumulative payments on account. Long term contracts are valued at cost plus attributable overheads less any provision for foreseeable losses.

Interest payable and similar charges

Interest is written off when incurred except that it is included in the cost of commercial and investment properties under development up to practical completion.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise.

2. Turnover and profits

The directors are of the opinion that turnover is attributable to its principal activity and is carried out wholly within the United Kingdom.

3. Directors' and employees' emoluments

	1998 £'000	1997 £'000
Directors		
Salaries and taxable benefits	295	274
Pension contributions	18	15
	<hr/> 313	<hr/> 289
The amounts shown below exclude pension scheme contributions.		
Emoluments of highest paid director	<hr/> 71	<hr/> 93

HUNTING GATE CONSTRUCTION plc AND SUBSIDIARY COMPANIES

Notes forming part of the accounts for the year ended 30th September 1998 (continued)

3. Directors' and employees' emoluments (continued)

	1998 £'000	1997 £'000
Staff costs excluding directors consist of:		
Wages and salaries	1,266	164
Social security costs	114	14
Other pension costs	16	3
	<hr/>	<hr/>
	1,396	181
	<hr/>	<hr/>

Employees

The average number of employees of the group during the years was 86 (1997 - 16)

	1998 £'000	1997 £'000
4. Interest payable and similar charges		
Other interest	4	-
	<hr/>	<hr/>

HUNTING GATE CONSTRUCTION plc AND SUBSIDIARY COMPANIES

Notes forming part of the accounts for the year ended 30th September 1998 (continued)

5. Operating profit on ordinary activities before taxation

	Continuing (excluding acquisitions) £'000	Acquisitions £'000	1998 Continuing £'000	1997 Continuing £'000
Turnover	37,308	10,818	48,126	24,316
Cost of sales	35,559	10,086	45,645	22,164
Gross profit	1,749	732	2,481	2,152
Net operating expenses				
Administrative expenses	1,849	585	2,434	1,571
Rents receivable	-	(20)	(20)	-
Other operating income	-	(3)	(3)	-
	1,849	562	2,411	1,571
Operating (loss)/profit	(100)	170	70	581
			1998 £'000	1997 £'000
Profit on ordinary activities is after charging/(crediting):				
Amortisation of negative goodwill			(404)	-
Depreciation			66	23
Auditors remuneration			12	-
Hire of equipment			740	151
Profit on sale of fixed assets			(1)	-

6. Taxation

	1998 £'000	1997 £'000
Underprovision in respect of prior years.	(2)	-

There is no taxation on the profit for the year due to the availability of group losses.

HUNTING GATE CONSTRUCTION plc AND SUBSIDIARY COMPANIES

Notes forming part of the accounts for the year ended 30th September 1998 (continued)

7. Fixed assets - The group	Intangible Negative Goodwill £'000	Tangible Plant and Equipment £'000
Cost or valuation		
At 1st October 1997	-	651
On acquisition of subsidiary undertakings	(485)	168
Additions at cost	-	89
Disposals	-	(9)
At 30th September 1998	(485)	899
Representing		
Cost		899
Depreciation		
At 1st October 1997	-	570
On acquisition of subsidiary undertakings	-	14
Charge/(credit) for the year	(404)	66
Eliminated on disposals	-	(1)
At 30th September 1998	(404)	649
Net book value		
At 30th September 1998	(81)	250
Net book value		
At 30th September 1997	-	81
The company		
		Tangible Plant and Equipment £'000
Cost		
At 1st October 1997		651
Additions		45
At 30th September 1998		696
Depreciation		
At 1st October 1997		570
Charge for the year		21
At 30th September 1998		591
Net book value		
At 30th September 1998		105
Net book value		
At 30th September 1997		81

HUNTING GATE CONSTRUCTION plc AND SUBSIDIARY COMPANIES

Notes forming part of the accounts for the year ended 30th September 1998 (continued)

8. Acquisition

On 1st December 1997 the company acquired the whole of the share capital of F R Bartlett Limited and Bartlett Construction Limited. The purchase has been accounted for under the acquisition method of accounting.

Fair values attributed to the net tangible assets acquired were as follows:-

	Book Value at Acquisition £'000	Fair Value Adjustments £'000	Fair Value to Group £'000
Fixed assets	154	-	154
Stocks/Work in progress	316	-	316
Debtors	4,996	-	4,996
Bank balances	(556)	-	(556)
Creditors	(4,383)	103	(4,280)
	<hr/>	<hr/>	<hr/>
	527	103	630
Negative goodwill on acquisition			(485)
			<hr/>
			145
			<hr/>
Satisfied by:-			
Cash consideration			87
Costs of acquisition			58
			<hr/>
			145
			<hr/>

The book values of the assets and liabilities shown above have been taken from the management accounts of the business at acquisition. The fair value adjustment above arises as a result of a negotiated discount in known liabilities.

During the year the subsidiary undertakings contributed the following to the group cash flow.

	£
Cash inflow from operating activities	1,105
Capital expenditure and financial investment	(35)
Return on investment and servicing of finance	(4)
	<hr/>
	1,066
	<hr/>

HUNTING GATE CONSTRUCTION plc AND SUBSIDIARY COMPANIES

Notes forming part of the accounts for the year ended 30th September 1998 (continued)

9. Investments in subsidiary undertakings

The company

	1998 £'000
Shares in subsidiaries	
Additions	145
Surplus on revaluation	166
	<hr/>
At 30th September 1998	311
	<hr/>

Details of principal subsidiary undertakings are set out below. All of these undertakings are registered in England and are wholly owned.

Bartlett Construction Limited	-	Building contractors
F R Bartlett Limited	-	Building contractors

10. Debtors

Amounts due within one year.

	The group		The company	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Trade debtors	8,540	3,177	6,005	3,177
Other debtors	354	309	323	309
Prepayments and accrued income	150	33	136	33
Amounts owed by subsidiary undertakings	985	934	985	934
	<hr/>	<hr/>	<hr/>	<hr/>
	10,029	4,453	7,449	4,453
	<hr/>	<hr/>	<hr/>	<hr/>

HUNTING GATE CONSTRUCTION plc AND SUBSIDIARY COMPANIES

Notes forming part of the accounts for the year ended 30th September 1998 (continued)

11. Creditors: Amounts falling due within one year

	The group		The company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Trade creditors	9,369	3,918	6,688	3,918
Other creditors including taxation and social security	145	30	47	30
Accruals and deferred income	287	545	225	545
Amounts due to ultimate parent company	193	157	192	157
Amounts due to subsidiary undertakings	628	162	628	162
	<hr/>	<hr/>	<hr/>	<hr/>
	10,622	4,812	7,780	4,812
	<hr/>	<hr/>	<hr/>	<hr/>

12. Deferred taxation - amounts not provided

No provision is required under the accounting policy nor is there any potential liability at the balance sheet date.

13. Share capital

	1998	1997
	£'000	£'000
Authorised		
Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid	<hr/>	<hr/>
Ordinary shares of £1 each	50	50
	<hr/>	<hr/>

HUNTING GATE CONSTRUCTION plc AND SUBSIDIARY COMPANIES

Notes forming part of the accounts for the year ended 30th September 1998 (continued)

14. Reserves

Group

	Profit and loss account £'000
Balance at 1st October 1997	3,342
Profit for the year	188
	<hr/>
Balance at 30th September 1998	3,530

Company

	Revaluation Reserve £'000	Profit and loss account £'000
Balance at 1st October 1997	-	3,342
Profit for the year	-	22
Surplus on revaluation	166	-
	<hr/>	<hr/>
Balance at 30th September 1998	166	3,364

Profit for the financial year

The company has taken advantage of the exemption under section 230 of the Companies Act 1989 and has not presented its own profit and loss account in this financial statement. The group profit for the year includes a profit after tax and before dividends of £21,701 (1997 profit of £581,136) which is dealt with in the accounts of the parent company.

15. Contingent Liabilities

There are no known contingent liabilities at the balance sheet date.

HUNTING GATE CONSTRUCTION plc AND SUBSIDIARY COMPANIES

Notes forming part of the accounts for the year ended 30th September 1998 (continued)

16. Financial commitments - Pensions

The group operates a pension scheme which was originally non-contributory and provided benefits based on final pensionable pay,

With effect from 1st October 1992, the scheme was changed from a non-contributory final salary basis to a contributory money purchase basis. Benefits accrued prior to that date are retained in the final salary section, which is being administered by the trustees as a closed fund.

A triennial valuation of the assets in the final salary section, which was carried out as at the 31st March 1997, showed that the market value of the assets at £7,555,000, was sufficient to cover 97% of the actuarial assessment of the liabilities of the scheme based on the Minimum Funding Requirements of the Pensions Act 1995. Unless there is a material change, the group will have until 2007 to bring the funding level up to 100% and no additional funding is currently required.

The assets of the whole scheme are held separately from those of the group, administered by trustees and invested with insurance companies. Contributions to the scheme are charged to the profit and loss account.

All pension costs are paid by Hunting Gate Group and recharged to the company by means of a management charge.

17. Commitments under operating leases

As at 30th September 1998, the group had annual commitments under non-cancellable operating leases in respect of land and building, as followings:

	1998 £'000	1997 £'000
Those which expire after five years	56	-

18. Related party transactions

There were no related party transactions concerning the directors of the company.

19. Ultimate parent company

The ultimate parent company is Hunting Gate Group Limited, a company registered in England.

HUNTING GATE CONSTRUCTION plc AND SUBSIDIARY COMPANIES

Notes forming part of the accounts for the year ended 30th September 1998 (continued)

20. Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	1998	1997
	£'000	£'000
Operating profit	70	581
Amortisation of goodwill	(404)	
Depreciation charges	66	23
Profit on sale of tangible fixed assets	(1)	-
	(339)	23
Decrease in land and work in progress	316	-
Increase in debtors	(580)	(239)
Decrease in creditors	1,530	(557)
	1,266	(796)
Net cash inflow/(outflow) from operating activities	997	(192)

21. Analysis of net cash

	Cash at Bank £'000
Balance at 1st October 1997	3,670
Net cash inflow	334
Balance at 30th September 1998	4,004

HUNTING GATE CONSTRUCTION plc AND SUBSIDIARY COMPANIES

Report of the auditors

To the members of Hunting Gate Construction plc

We have audited the financial statements on pages 3 to 17 which have been prepared under the historical cost convention as modified by the revaluation of certain assets and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on pages 1 and 2 the company's directors are responsible for the preparation of the 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.

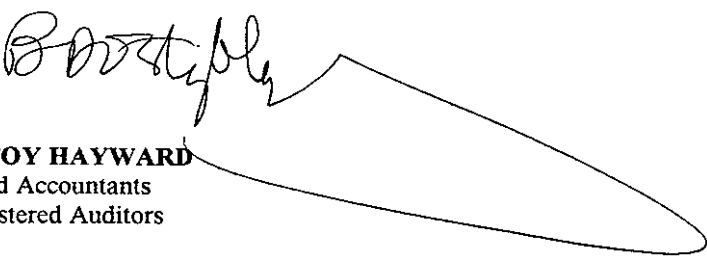
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an 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 misstatements, 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 and the group's affairs as at 30th September 1998 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
London

17th December 1998