

**HALCROW GILBERT ASSOCIATES LIMITED**

**(FORMERLY HGa LIMITED)**

**DIRECTORS' REPORT**

**AND**

**FINANCIAL STATEMENTS**

**30 APRIL 1998**

Registered Number : 2312495

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The directors present their report and the audited financial statements for the year to 30 April 1998.

**Principal activity**

The principal activity of the company is the supply of electrical and mechanical consultancy services for engineering projects.

The business and assets of the company were transferred to Halcrow Group Limited at their book value on 30<sup>th</sup> April 1998. Contracts undertaken by the company will be performed by Halcrow Group Limited as agents of the company.

**Change of Name**

The name of the company was changed from HGa Limited to Halcrow Gilbert Associates Limited on 24<sup>th</sup> July 1997.

**Result and business review**

The trading results are shown in the profit and loss account on page 5.

The company made a profit after taxation of £69,949(1997: £(25,234)). The directors do not recommend the payment of a dividend . The profit of £69,949 (1997:loss £(25,234)) has been transferred to reserves.

Under the arrangements of Halcrow Group Limited described above, the company expects to make neither a profit nor loss in the future.

**Fixed assets**

Additions and disposals of fixed assets are shown in note 10 to the financial statements

**The Millenium**

A programme has been undertaken throughout the Halcrow group to address the impact on computer systems of the year 2000.

Where problems have been identified appropriate action is underway . Software and equipment is being modified or replaced as necessary.

The majority of the costs relate to the replacement of systems that would have been replaced in the medium term in any event.

Enquiries are also being made of all our principal suppliers to ensure that they also have plans in hand.

**Directors and directors' interests**

The following served as directors during the period under review

P G Gammie Chairman

T J Tovey Managing Director

A K Allum

R C Abraham

The interests of directors at 30 April in the share capital of Halcrow Holdings Limited, the ultimate holding company, were as follows:-

	At 1998	At 1997
Beneficial holding of ordinary shares of £1 each		
P G Gammie	31,950	23,750
A K Allum	8,100	5,000
T J Tovey	15,750	15,000
R C Abraham	-	-
Contingent interest in matched shares		
P G Gammie	3,100	-
A K Allum	3,100	-
T J Tovey	750	-
R C Abraham		
Options		
P G Gammie	12,746	5,609
T J Tovey	11,896	-

Mr P G Gammie was granted 7,137 and Mr T J Tovey was granted 11,896 options during the year. No options were exercised or lapsed. Their options may be exercised as follows:

	Number	Option price	Date when exercisable
P G Gammie	5,609	1.23	2000
	7,137	1.45	2003
	<b>12,746</b>		
T J Tovey	11,896	1.45	2003

#### Close company provisions

The company is a close company within the provisions of the Income and Corporation Taxes Act 1988.

**Statement of directors' responsibilities**

The directors are required by United Kingdom company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company at the end of the financial year and of its profit or loss for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 April 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities

**Auditors**

Our auditors Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998. Following the merger, Coopers & Lybrand resigned and the directors appointed the new firm PricewaterhouseCoopers, as auditors.

The company has passed a resolution dispensing with the obligation to appoint auditors annually, as permitted by section 386 of the Company Act 1985.

PricewaterhouseCoopers have expressed their willingness to continue in office.

Registered Office:  
Burderop Park  
Swindon  
Wiltshire  
SN4 0QD

By order of the board



J D Rhodes  
Secretary  
7<sup>th</sup> December 1998

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and accounting policies set out on pages 7 to 8.

### **Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

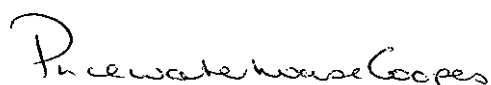
### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 30 April 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**  
**Chartered Accountants and Registered Auditors**  
London

date: 21 January 1999

**Profit & Loss Account**  
**For the year to 30 April 1998**

**HALCROW GILBERT ASSOCIATES LIMITED**  
**(FORMERLY HGa LIMITED)**

	Notes	1998 £	1997 £
Turnover	3	4,571,850	3,541,179
Cost of sales		(2,802,929)	(2,141,571)
Gross profit		1,768,921	1,399,608
Administrative expenses		(1,671,971)	(1,379,015)
Operating profit	4	96,950	20,593
Exceptional item	5	47,919	0
Interest receivable		3,097	1,823
Interest payable and similar charges	7	(67,312)	(12,749)
Profit /(loss) on ordinary activities before taxation		80,654	9,667
Tax on profit on ordinary activities	6	(10,705)	(34,901)
Retained profit/(loss) for the year		69,949	(25,234)
		=====	=====

All items dealt with in the profit and loss account relate to discontinued operations.

The company has no recognised gains and losses other than the profits and losses above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit before taxation and the retained profit for the year stated above, and their historical cost equivalents.

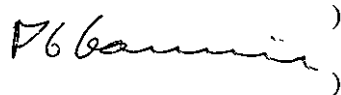
**Balance Sheet**  
**30 April 1998**

**HALCROW GILBERT ASSOCIATES LIMITED**  
**(FORMERLY HGa LIMITED)**

	Notes	£	1998 £	1997 £
<b>FIXED ASSETS</b>				
Tangible fixed assets	10	0		197,869
Investments		0		366,825
		<u>0</u>		<u>564,694</u>
<b>CURRENT ASSETS</b>				
Debtors	11	350,280		1,366,045
Cash at bank and in hand		0		113,114
		<u>350,280</u>		<u>1,479,159</u>
<b>CREDITORS</b>				
Amounts falling due within one year	12	0		(1,740,497)
<b>NET CURRENT ASSETS/LIABILITIES</b>			350,280	(261,338)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>350,280</u>	<u>303,356</u>
<b>CREDITORS</b>				
Amounts falling due after more than one year	13		0	(23,025)
<b>NET ASSETS</b>			<u>350,280</u>	<u>280,331</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	14		300,000	300,000
Profit and loss account	15		50,280	(19,669)
Equity shareholders' funds	16		<u>350,280</u>	<u>280,331</u>
			<u>=====</u>	<u>=====</u>

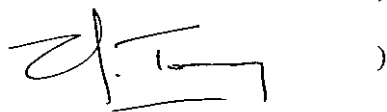
The financial statements were approved by the board of directors on 7<sup>th</sup> December 1998 and signed on its behalf by:

P G Gammie



) Directors

T J Tovey



**1. Accounting policies****(a) Accounting convention**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

**(b) Turnover**

Turnover represents amounts billed for professional services and items procured for clients, adjusted where necessary for the stage of completion on individual contracts.

**(c) Depreciation**

Depreciation of fixed assets is by equal annual instalments calculated to write off each asset over its anticipated useful life. The annual rates of depreciation applied are as follows:-

Plant and equipment	
Motor vehicles	33.3%
Computers	33.3%
Other	20%

**(d) Long term contracts**

During the year the company refined the method by which it recognises profits on long term contracts to conform to the Halcrow group policy. Profits are recognised on a percentage contribution of payroll costs. Amounts recoverable on contracts are included in debtors. They are stated at cost, plus attributable profit to the extent that this is reasonably certain after making provision for contingencies, less any losses incurred or foreseen in bringing contracts to completion, and less amounts received as progress payments. For any contract where receipts exceed the book value of work done the excess is included in creditors as a payment on account.

**(e) Foreign currencies**

Assets and liabilities which are stated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies undertaken by the company are converted into sterling using the exchange rate applicable at the date of the transaction. All exchange differences are dealt with through the profit & loss account.

**(f) Pension costs**

Employees are eligible for membership of either the Halcrow Pension Scheme or the company's own provident scheme.

The Halcrow Pension Scheme provides benefits calculated in relation to final salary. Benefits are funded by payments to a trustee administered fund. The expected cost is charged to the profit and loss account, on the advice of an independent actuary, over the employees' service lives on the basis of a constant percentage of earnings. Variations from the regular pension cost are spread over the expected remaining service lives of current members of the scheme.

Details of the actuarial valuation of the scheme are given in the financial statements of Halcrow Holdings Limited, the ultimate holding company.



**Accounting policies (continued)**

**(f) Pension costs (contd)**

Differences between the amounts charged in the profit & loss account and payments made to the pension fund are treated as assets or liabilities in the financial statements of Halcrow Group Limited, a fellow group undertaking.

The company's own provident scheme is a defined contribution scheme. It provides benefits by reference to contributions paid into the scheme in respect of individual members and the investment return on those contributions. Employer's contributions are charged to the profit and loss account as they fall due.

**(g) Leases**

Payments under operating leases are charged to the profit and loss account on an accruals basis. Assets funded by finance leases are included in tangible fixed assets at their fair value. The excess of the lease payments over the recorded lease obligations is treated as a finance charge which is amortised over the term of each lease to give a constant rate of charge in the profit and loss account over the remaining period of the obligation.

**(h) Taxation**

The charge for taxation is based on the results for the year as adjusted for disallowable items, and for timing differences to the extent that they are likely to result in an actual tax liability in the foreseeable future. Timing differences arise from the recognition for tax purposes of certain items of income and expenditure in a different accounting period from that in which they are recognised in the financial statements.

**(i) Cashflow statements**

The Company has taken advantage of the exemption to provide a separate statement of cash flows as permitted under FRS1.

**(j) Group accounts**

The Company is a wholly owned subsidiary of Halcrow Holdings Limited a company registered in Great Britain. As permitted in section 288 (1) of the Companies Act 1985, group accounts are not presented.

**2. Disposal of the business**

The business and assets of the company were transferred to Halcrow Group Limited at their book value on 30<sup>th</sup> April 1998. Existing contracts will be completed by Halcrow Group Limited as agents of the company.

**3. Analysis of turnover by geographic area**

The analysis of the company's turnover by geographic area of destination is set out below

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
United Kingdom	3,873,371	2,854,470
Rest of Europe	416,340	234,455
Africa	10,734	56,764
Far East	110,647	233,882
Middle East	55,652	35,996
Asia & Australasia	71,122	99,963
South America	33,984	25,649
	<hr/> 4,571,850 <hr/> <hr/>	<hr/> 3,541,179 <hr/> <hr/>

**4. Operating profit/(loss)**

Operating profit is stated after charging/(crediting):

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Auditors' remuneration	11,907	6,150
Depreciation of tangible fixed assets		
Owned assets	112,147	85,835
Leased assets	11,499	16,124
Operating lease payments:		
hire of plant & machinery	10,707	9,755
land & buildings	0	63,570
Foreign exchange gains/(losses)	1,759	(2,500)
Directors' emoluments (including pension contributions)	153,562	133,449

**5. Acquisition of Mechanical & Electrical Design Associates**

The assets and liabilities and trade of Meda were transferred to the company for their net book value, £110,373 on the 24<sup>th</sup> December 1996. During the current financial year the directors have identified that the provisional assessment of the outcome of the long term contracts acquired from Meda, which were based on subjective assumptions were incorrect. The directors have renegotiated the value of the consideration paid to MEDA to reflect this and revalued the contracts transferred from MEDA. The resultant adjustment has been taken to a capital reserve. The net assets acquired and the adjusted discount on acquisition arising have been identified as follows:

	1997 Fair values	Adjustment to fair Values	Fair values
	£	£	£
Fixed Assets	19,696		19,696
Debtors	429,781	(28,249)	401,532
Cash	5,011		5,011
Creditors	(344,115)	(114,529)	(458,644)
	<hr/>	<hr/>	<hr/>
Net assets/(liabilities)	110,373	(142,778)	(32,405)
Discount on acquisition			(47,919)
			<hr/>
Cost of acquisition			(80,324)
			=====

Following the transfer of the business to Halcrow Group Limited on 30 April 1998 the discount arising on the acquisition of MEDA of £47,919 has been realised and has been credited to the profit and loss account.

**6. Tax on profit on ordinary activities**

	1998 £	1997 £
United Kingdom taxation at 31% (1997:31%)	10,834	25,336
Prior year adjustment:	(129)	
Amount payable to a fellow subsidiary in respect of tax saved by group relief in a prior year	-	9,565
	<hr/>	<hr/>
	10,705	34,901
	=====	=====

**7. Interest payable and similar charges**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	63,811	9,090
Finance leases	3,501	3,659
	<u>67,312</u>	<u>12,749</u>
	=====	=====

**8. Employee information**

(a) The average numbers of persons, including executive directors, employed during the year were as follows:

	<b>1998</b>	<b>1997</b>
	<b>Number</b>	<b>Number</b>
Professional and technical	65	56
Clerical	15	15
	===	===

(b) Their employment costs were as follows:

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Wages and salaries	2,102,994	1,849,851
Social security costs	170,059	131,619
Other pension costs	166,292	140,994
	<u>2,439,345</u>	<u>2,122,464</u>
	=====	=====

**9. Directors' remuneration**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Management remuneration	142,251	123,108
Pension contributions	11,311	10,341
	<u>153,562</u>	<u>133,449</u>
	=====	=====

The number of directors who were members of the "HGA Pension Scheme" was:

	<b>2</b>	<b>2</b>
	=====	=====

**10. Tangible fixed assets**

	<b>Motor Vehicles £</b>	<b>Plant &amp; Equipment £</b>	<b>Furniture and fittings £</b>	<b>Total £</b>
<b>COST</b>				
At 1 May 1997	151,942	289,954	90,639	532,535
Additions	79,384	90,185	48,940	218,509
Disposals	(42,417)	(12,267)	0	(54,684)
Intergroup transfer	(188,909)	(367,872)	(139,579)	(696,360)
At 30 April 1998	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	=====	=====	=====	=====
<b>DEPRECIATION</b>				
At 1 May 1997	93,145	180,544	60,977	334,666
Charge for year	45,514	66,326	11,806	123,646
Disposals	(37,647)	(12,267)	0	(49,914)
Inter group transfer	(101,012)	(234,603)	(72,783)	(408,398)
At 30 APRIL 1998	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	=====	=====	=====	=====
<b>NET BOOK VALUE AT 30 APRIL 1998</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	=====	=====	=====	=====
<b>NET BOOK VALUE AT 30 APRIL 1997</b>	<u>58,797</u>	<u>109,410</u>	<u>29,662</u>	<u>197,869</u>
	=====	=====	=====	=====

The net book value of fixed assets includes £Nil (1997 : £58,167) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown in note 4.

**11. Debtors**

	1998 £	1997 £
Amounts falling due within one year:		
Amount owed by Halcrow Group Limited	350,280	0
Trade debtors	0	703,638
Amounts owed by group undertakings	0	335,134
Amounts recoverable on contracts	0	317,691
Prepayments & Deferred income	0	9,582
	<u>350,280</u>	<u>1,366,045</u>
	=====	=====

**12. Creditors**

Amounts falling due within one year:

	1998 £	1997 £
Bank overdraft	0	558,825
Obligations under finance leases	0	22,853
Trade creditors	0	43,651
Payments received on account	0	487,000
Amount due to fellow group undertakings	0	190,685
Amount due to subsidiary undertaking	0	110,373
Corporation tax	0	25,336
Social security and other taxes	0	120,605
Accruals & deferred income	0	181,169
	<u>0</u>	<u>1,740,497</u>
	=====	=====

**13. Creditors**

Amounts falling due after more than one year:

	1998 £	1997 £
Obligations under finance leases		
Payable in between two and five years	0	23,025
	=====	=====

**14. Share capital**

	1998 £	1997 £
Authorised:		
300,000 ordinary shares of £1 each	300,000	300,000
	=====	=====
Allotted and fully paid:		
300,000 ordinary shares of £1 each	300,000	300,000
	=====	=====

**15. Profit and loss account**

	1998 £	1997 £
At 1 May	(19,669)	5,565
Discount arising on acquisition	47,919	
Release of discount on acquisition following sale	(47,919)	
Retained profit for the year	69,949	(25,234)
	-----	-----
At 30 April	50,280	(19,669)
	=====	=====

**16. Equity shareholders' funds**

	1998 £	1997 £
At 1 May	280,331	305,565
Retained profit for the year	69,949	(25,234)
	-----	-----
At 30 April	350,280	280,331
	=====	=====

**17. Operating lease commitments**

At 30 April 1998 the company had annual commitments under non-cancellable operating leases as follows:

	1998 £	1997 £
Land & buildings		
Leases expiring within one year	0	42,380
Plant & equipment		
Leases expiring within one year	0	4,692
Leases expiring in between two and five years	0	15,254
	-----	-----
	0	19,946
	=====	=====

**18. Related party transactions**

In the course of normal operations, the Company has contracted on an arms length basis with Halcrow Water Services, an associated company of a group undertaking. The transactions were as follows:

	1998	1997
Receipt of engineering consultancy services		
From Halcrow Water Services	£171,424	£115,237

The company is exempt under the terms of Financial Reporting Standard number 8 from disclosing transactions and balances with entities that are part of the Halcrow Holdings group of companies.

**19. Capital commitments**

There were no capital commitments at the balance sheet date

**20. Contingent liabilities**

The company has given fixed and floating charges over its assets and entered into a multilateral guarantee as security for borrowing facilities granted to itself and other group undertakings.

**21. Ultimate holding company**

The company's ultimate holding company is Halcrow Holdings Limited, a company registered in England and Wales, whom the directors also consider to be the ultimate controlling party.