

Company Registration No. 2810599 (England and Wales)

PELL FRISCHMANN PROJECTS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1999

Berg Kaprow Lewis
Chartered Accountants
35 Ballards Lane
London

N3 1XW



PELL FRISCHMANN PROJECTS LIMITED

COMPANY INFORMATION

Directors

W W Frischmann CBE
S S Prabhu
K Corazzo
R Jones
A Levy (Resigned 31 March 2000)
R Wiles
D Atherton

Secretary

N W Carmichael

Company number

2810599

Registered office

5 Manchester Square
London
W1A 1AU

Auditors

Berg Kaprow Lewis
Chartered Accountants
35 Ballards Lane
London
N3 1XW

PELL FRISCHMANN PROJECTS LIMITED

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PELL FRISCHMANN PROJECTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1999

The directors present their report and financial statements for the year ended 31 March 1999.

Principal activities

The principal activity of the company during the year was that as architects, integrated engineers, quantity surveyors, project managers and working with other disciplines and fellow companies within the Pell Frischmann Group.

The turnover for the year increased by 4% which was in line with the projected Business Plan and gross profit and net pre-tax profit margins have remained consistent with previous years.

The company continued to undertake professional work for the Ministry of Defence and its Agencies, Government Departments, Blue Chip plc's and Private Companies and Local Authorities. A key objective of the company is to increase the proportion of work undertaken for Private Sector clients and this has been achieved in the year under review. Professional Work has been undertaken for Ideal Hardware plc in relation to £3 million Phase 2 development for warehousing. A further commission for the design and project management of a £3.5 million warehouse facility for food wholesaler, TRS Wholesale Co Ltd has been secured and two feasibility projects for private client, Queensbridge Investments Ltd, with a total project value of £2 million were fully designed in readiness for tender action.

Office accommodation suitable for eight professional and technical staff was found in the centre of Tunbridge Wells. The office was equipped and operational by January 1999.

All members of staff employed by the group as a whole are available to any company within the group dependent upon the demand or resources of the constituent company.

Year 2000

The group has implemented the changes necessary to make its accounting and management information systems year 2000 compliant and has suffered no immediate financial or operational consequences as a result of the year 2000 date change.

Directors

The following directors have held office since 1 April 1998:

W W Frischmann CBE

S S Prabhu

K Corazzo

R Jones

A Levy

(Resigned 31 March 2000)

R Wiles

D Atherton

PELL FRISCHMANN PROJECTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1999

Directors' interests

The directors at the balance sheet date and their interest in the company (including those of their families) at that date and at the beginning of the year, were as follows :

	Equity interests: Ordinary shares of £ 1 each	
	31 March 1999	1 April 1998
W W Frischmann CBE	-	-
S S Prabhu	-	-
K Corazzo	10	10
R Jones	10	10
A Levy	-	-
R Wiles	10	10
D Atherton	10	10

Directors interest in ultimate parent undertaking are given in note 15 to the financial statements.

W W Frischmann CBE and S S Prabhu represent Pell Frischmann Group Ltd on the company's board of directors. Pell Frischmann Group Ltd owns 120 shares representing a 75% interest.

Auditors

The auditors, Berg Kaprow Lewis, are willing to be reappointed in accordance with section 385 of the Companies Act 1985.

Directors' responsibilities

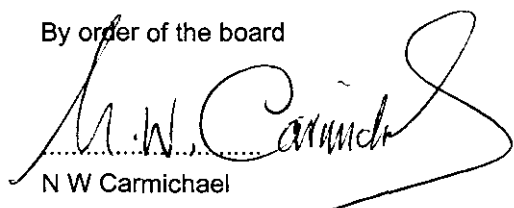
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 the prevention and detection of fraud and other irregularities.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board


N W Carmichael
Secretary
25 July 2000

PELL FRISCHMANN PROJECTS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF PELL FRISCHMANN PROJECTS LIMITED

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 2 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 the company's affairs as at 31 March 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Berg Kaprow Lewis

Chartered Accountants
Registered Auditor

48-1-2000

Chartered Accountants
35 Ballards Lane
London
N3 1XW

PELL FRISCHMANN PROJECTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1999

	Notes	1999 £	1998 £
Turnover		897,632	859,395
Cost of sales		(603,929)	(594,853)
Gross profit		<u>293,703</u>	<u>264,542</u>
Administrative expenses		(162,186)	(120,833)
Operating profit	2	<u>131,517</u>	<u>143,709</u>
Investment income	3	<u>11,357</u>	<u>15,341</u>
Profit on ordinary activities before taxation		<u>142,874</u>	<u>159,050</u>
Tax on profit on ordinary activities	4	(44,400)	(49,719)
Profit on ordinary activities after taxation		<u>98,474</u>	<u>109,331</u>
Dividends		(80,000)	(50,000)
Retained profit for the year	10	<u><u>18,474</u></u>	<u><u>59,331</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

PELL FRISCHMANN PROJECTS LIMITED

BALANCE SHEET AS AT 31 MARCH 1999

	Notes	1999 £	£	1998 £	£
Fixed assets					
Tangible assets	5		9,531		3,416
Current assets					
Debtors	6	589,890		363,434	
Creditors: amounts falling due within one year	7	(420,946)		(206,849)	
Net current assets			168,944		156,585
Total assets less current liabilities			178,475		160,001
Capital and reserves					
Called up share capital	9		160		160
Profit and loss account	10		178,315		159,841
Shareholders' funds - equity interests	11		178,475		160,001

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 25 July 2000



S S Prabhu
Director

PELL FRISCHMANN PROJECTS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 1999

	1999 £	1998 £
Net cash inflow from operating activities	35,046	43,001
Taxation	(5,000)	(40,101)
Capital expenditure		
Payments to acquire tangible assets	(10,046)	(2,900)
Net cash outflow for capital expenditure	(10,046)	(2,900)
Equity dividends paid	(20,000)	-
Net cash inflow/(outflow) before management of liquid resources and financing	-	-
Increase/(decrease) in cash in the year	-	-

PELL FRISCHMANN PROJECTS LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 1999

1	Reconciliation of operating profit to net cash inflow from operating activities	1999	1998
		£	£
	Operating profit	131,517	143,709
	Depreciation of tangible assets	3,931	1,420
	Decrease in stocks	-	40,473
	Increase in debtors	(223,456)	(160,803)
	Increase in creditors within one year	123,054	18,202
	Net cash inflow from operating activities	35,046	43,001

2	Analysis of net debt	1 April 1998	Cash flow	Other non-	31 March 1999
			cash changes		
		£	£	£	£
	Net debt	-	-	-	-

3	Reconciliation of net cash flow to movement in net debt	1999	1998
		£	£
	Decrease in cash in the year	-	-
	Cash inflow from increase in debt	-	-
	Movement in net debt in the year	-	-
	Opening net debt	-	-
	Closing net debt	-	-

PELL FRISCHMANN PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Turnover

Turnover represents fees receivable and reimbursables for services rendered exclusive of Value Added Tax.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	25% Straight line
Fixtures, fittings & equipment	25% Reducing balance

1.4 Leasing

Rentals payable under operating leases are taken to the profit and loss account on a straight line basis over the lease term.

1.5 Pensions

The majority of the company's employees belong to a group pension scheme which is funded by both employer's and employees' contributions and which is of the defined benefit type. The pension cost is assessed in accordance with the advice of an independent qualified actuary.

Contributions are charged to the profit and loss account so as to spread the cost of pensions over the estimated working lives of employees. Any shortfalls or surpluses in the pension fund are spread over the average remaining service lives of current employees.

1.6 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

2 Operating profit

	1999	1998
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	3,931	1,420
Operating lease rentals	9,880	1,429
Auditors' remuneration	3,750	4,700
Directors' emoluments	160,000	150,000

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 4 (1998 - 4).

PELL FRISCHMANN PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

3	Income from investments	1999 £	1998 £
	Income from participating interests	11,357	15,341
4	Taxation	1999 £	1998 £
	U.K. current year taxation		
	U.K. corporation tax at 31% (1998 - 31%)	44,400	-
	Payment in respect of group relief	-	50,000
		44,400	50,000
	Prior years		
	U.K. corporation tax	-	(281)
		44,400	49,719
5	Tangible fixed assets		
		Computer equipment £	Fixtures, fittings & equipment £ Total £
	Cost		
	At 1 April 1998	5,234	604 5,838
	Additions	10,046	- 10,046
	At 31 March 1999	15,280	604 15,884
	Depreciation		
	At 1 April 1998	2,158	264 2,422
	Charge for the year	3,818	113 3,931
	At 31 March 1999	5,976	377 6,353
	Net book value		
	At 31 March 1999	9,304	227 9,531
	At 31 March 1998	3,076	340 3,416

PELL FRISCHMANN PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

6 Debtors	1999	1998
	£	£
Trade debtors	195,460	81,914
Amounts owed by group undertakings and undertakings in which the company has a participating interest	317,819	186,503
Other debtors	76,611	95,017
	<u>589,890</u>	<u>363,434</u>
	<u><u>589,890</u></u>	<u><u>363,434</u></u>
7 Creditors: amounts falling due within one year	1999	1998
	£	£
Trade creditors	46,284	27,401
Amounts owed to group undertakings and undertakings in which the company has a participating interest	263,550	-
Taxation and social security	62,384	24,919
Other creditors	48,728	154,529
	<u>420,946</u>	<u>206,849</u>
	<u><u>420,946</u></u>	<u><u>206,849</u></u>

8 Pension costs

The company is a member of a defined benefit group pension scheme, covering the majority of its employees, which is funded through a separate trustee administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The most recent formal actuarial valuation was carried out as at 1 April 1998. The principal assumptions used in these valuations were assumed that the investment returns would be 8.25% per annum, that salary increases would average 6.25% per annum and that present and future pensions would increase at the rate of 4% per annum.

The actuarial valuation showed the market value of the scheme's assets as £24,121,521 which was sufficient to cover the benefits that had accrued to the members at that date, after allowing for assumed future increases in earnings.

The actuary has recommended that the company contributes to the scheme at the rate of 11.7% of the pensionable salaries of the members (16.3% to 31 March 1998).

The pension contributions payable by the company for the year ended 31 March 1999 were £32,842 (1998: £40,294). All contributions were paid during the year.

PELL FRISCHMANN PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

9	Share capital	1999 £	1998 £
	Authorised		
	1,000 Equity interests: Ordinary shares of £ 1 each	1,000	1,000
		<u> </u>	<u> </u>
	Allotted, called up and fully paid		
	160 Equity interests: Ordinary shares of £ 1 each	160	160
		<u> </u>	<u> </u>

10 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 April 1998	159,841
Retained profit for the year	18,474
	<u> </u>
Balance at 31 March 1999	178,315
	<u> </u>

11	Reconciliation of movements in shareholders' funds	1999 £	1998 £
	Profit for the financial year	98,474	109,331
	Dividends	(80,000)	(50,000)
		<u> </u>	<u> </u>
	Net addition to shareholders' funds	18,474	59,331
	Opening shareholders' funds	160,001	100,670
		<u> </u>	<u> </u>
	Closing shareholders' funds	178,475	160,001
		<u> </u>	<u> </u>

12 Contingent liabilities

a) There are unquantified contingent liabilities in the normal course of business arising under consultancy contracts and the company is covered by professional indemnity insurance in respect of any claims.

b) The company is a member of a group for Value Added Tax (VAT) purposes and is accordingly jointly and severally liable for VAT due and unpaid. The amount outstanding for the group at 31 March 1999 was £338,162 in respect of quarter ended 31 March 1999 (1998: £354,882).

PELL FRISCHMANN PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

13 Financial commitments

At 31 March 1999 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	1999	1998
	£	£
Expiry date:		
Between two and five years	9,000	-

14 Transactions with directors

W W Frischmann and S S Prabhu were the principal partners in Pell Frischmann & Partners which supplied administration and other services to the company during the year, totalling £2,222 (1998: £5,213).

15 Control

W W Frischmann and S S Prabhu were directors of Pell Frischmann Group Ltd during the year and the details of their interests in the shares of that company are disclosed in its report and financial statements. No other directors of this company had any interests in the shares of any of the Pell Frischmann group of companies.

The ultimate parent undertaking is Pell Frischmann Group Ltd, a company incorporated in England and Wales, which prepares group financial statements.

Copies of the group financial statements of Pell Frischmann Group Ltd may be obtained from Mr N W Carmichael, the company secretary, at the following address -

5 Manchester Square, London W1A 1AU. Tel. 020 7486 3661

16 Related party transactions

During the year the company provided services in the sum of £397,413 to its fellow subsidiary undertakings and received finance from of its fellow subsidiaries amounting to £451,354 during the year. The amounts due from and due to its group undertakings as at 31 March 1999 were £317,819 and £263,550 respectively.