

Hill International, Inc.
Form 8-K/A
November 22, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K/A

**CURRENT REPORT
Pursuant to Section 13 or 15 (d) of
the Securities Exchange Act of 1934**

Hill International, Inc.
(Exact name of registrant as specified in its charter)

Date of Report (Date of earliest event reported): August 31, 2006

HILL INTERNATIONAL, INC.
(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

000-50781
(Commission
File Number)

20-0953973
(IRS Employer
Identification No.)

303 Lippincott Centre, Marlton, NJ
(Address of Principal Executive Offices)

08053
(Zip Code)

Registrant's telephone number, including area code: (856) 810-6200

Arpeggio Acquisition Corporation
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of Universal under any of the following provisions:

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 230.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Explanatory Note:

Hill International, Inc., a Delaware corporation (“Hill” or “the Company”), hereby amends its Current Report on Form 8-K/A filed November 17, 2006, to include the consent of KPMG Audit Plc which had not been included in the previous 8-K/A filed on November 17, 2006; and to correct certain computational and typographical errors in that 8-K/A. The 8-K/A filed on November 17, 2006 included required financial statements relating to the acquisition of the common stock of James R. Knowles (Holdings) PLC by Hill International SA, the Company's wholly-owned subsidiary, as described in such Current Report; such financial statements and pro forma financial information are being filed again herewith.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired:

Exhibit 99.1 Audited financial statements of Knowles as of July 31, 2006

Exhibit 99.2 Audited financial statements of Knowles as of July 31, 2005 and 2004

(b) Pro Forma Financial Information:

Exhibit 99.3 Unaudited pro forma condensed combined financial information

(c) Exhibits

Exhibit 23.1 Consent of Baker Tilly

Exhibit 23.2 Consent KPMG Audit Plc.

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(b) Pro Forma Condensed Combined Financial Information

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(c) Exhibits

Exhibit 23.1 Consent of Baker Tilly

Exhibit 23.2 Consent KPMG Audit Plc

Independent Auditors' Report

To the board of directors and shareholders of James R. Knowles (Holdings) PLC

We have audited the accompanying consolidated balance sheet of James R. Knowles (Holdings) PLC (the "Company"), as of July 31, 2006 and the related consolidated notes, statement of total recognised gains and losses profit and loss account and cash flows for the year ended July 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by our management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of James R. Knowles (Holdings) PLC and subsidiaries as of July 31, 2006 and the consolidated results of their operations and cash flows for the year ended July 31, 2006 in conformity with accounting principles generally accepted in the United Kingdom.

Baker Tilly

London, United Kingdom

November 2006

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James R. Knowles (Holdings) PLC
Consolidated profit and loss account
for the year ended 31 July 2006

	<i>Note</i>	2006 Total £ 000
Turnover	2	
Continuing operations		28,223
Discontinued operations		1,180
		29,403
Other external charges		(3,414)
Staff costs	5	(18,064)
Depreciation and amortisation		(1,327)
Other operating charges	3	(9,806)
Operating (loss) before exceptional items		
Continuing operations		(711)
Discontinued operations		(166)
Exceptional items		
Continuing operations	3	(2,271)
Discontinued operations	3	(60)
Operating (loss)		
Continuing operations		(2,982)
Discontinued operations		(226)
		(3,208)
Profit on disposal of operations	3	95
Loss on closure of branch	3	(197)
(Loss) on ordinary activities before interest and taxation		(3,310)
Other interest receivable and similar income		20
Interest payable and similar charges	6	(317)
(Loss) profit on ordinary activities before taxation	3 - 6	(3,607)
Tax on (loss) on ordinary activities	7	(388)
(Loss) on ordinary activities after taxation		(3,995)
Minority interests (equity)		(85)
Retained (Loss) for the financial year	18	(4,080)

Basic (loss) per share (pence)	8	(19.7)
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A note on historical cost profits has not been prepared as the historical cost profit and losses are the same as detailed in the above profit and loss account.

The notes on pages 8 to 24 form part of these financial statements.

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James R. Knowles (Holdings) PLC
Consolidated statement of total recognised gains and losses
for the year ended 31 July 2006

	2006 £ 000
Loss for the financial year	(4,080)
Currency translation differences on foreign investments	(66)
Total recognised losses relating to the financial year	(4,146)

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James R. Knowles (Holdings) PLC**Consolidated balance sheet**

at 31 July 2006

	<i>Note</i>	£ 000	2006	£ 000
Fixed assets				
Intangible assets	9			838
Tangible assets	10			1,129
Investments	11			1
				1,968
Current assets				
Debtors	12	8,172		
Cash at bank and in hand		1,563		
		9,735		
Creditors - Amounts falling due within one year	13	(10,161)		
Net current assets				(426)
Total assets less current liabilities				1,542
Creditors - Amounts falling due after more than one year	14			(393)
Provisions for liabilities and charges	15			(647)
Net assets				502
Capital and Reserves				
Called up share capital	17			1,059
Share premium account	18			3,333
Merger reserve	18			199
Profit and loss account	18			(4,209)
Shareholders' funds	25			382
Minority interests (equity)				120
				502

These financial statements on pages 4 to 24 were approved by the board of directors and authorised for issue on 14 November 2006 and are signed on its behalf by:

R Borhan

Director

James R. Knowles (Holdings) PLC
Consolidated cash flow statement
for the year ended 31 July 2006

	<i>Note</i>	2006 £ 000
Net cash inflow from operating activities	<i>20</i>	438
Return on investments and servicing of finance	<i>22</i>	(657)
Taxation		(281)
Capital expenditure and financial investment	<i>22</i>	(422)
Acquisitions and disposals	<i>22</i>	601
Net cash outflow before financing		(321)
Financing	<i>22</i>	(468)
Decrease in cash in the year	<i>23, 24</i>	(789)

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James R. Knowles (Holdings) PLC

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements except as noted below.

Basis of preparation

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

Going Concern

The Directors consider that the losses sustained during the year are one off in nature. Current trading has improved and profits are forecasted going forward. Opportunities for growth exist as a consequence of the acquisition by Hill which have strengthened the position. The Knowles Group is also under receipt of full financial support from the new parent company. For these reasons the Directors consider the going concern basis is appropriate for preparing the financial statements.

Basis of consolidation

The Directors consider that the losses sustained during the year are one off in nature. Current trading has improved and profits are forecasted going forward. Opportunities for growth exist as a consequence of the acquisition by Hill which have strengthened the position. The Knowles Group is also under receipt of full financial support from the new parent company. For these reasons the directors consider the going concern basis for producing the financial statements is appropriate.

The Group accounts include the accounts of the Company and all its subsidiary undertakings made up to 31 July 2006. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Goodwill

Purchased goodwill (both positive and negative) arising on consolidation in respect of acquisitions before 1 August 1998, when FRS 10: *Goodwill and intangible assets* was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs, any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill (representing the excess of the fair value of the consideration and associated costs given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 August 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life which is 20 years.

On the subsequent disposal of a business acquired since 1 January 1998, the profit or loss on disposal is calculated after charging/(crediting) the unamortised amount of any related goodwill.

Investments

Investments are stated at cost less any impairment in value.

Tangible fixed assets and depreciation

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

Leasehold buildings	-	Life of lease
		10% -
Office equipment	-	33% per annum
		20% -
Computer equipment	-	33% per annum
		25%
Motor vehicles	-	reducing balance
Technical publications	-	20% per annum

No depreciation is provided on freehold land.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Turnover

Turnover represents the amounts (excluding value added tax) recorded as turnover in respect of amounts recoverable on contracts and the amounts earned to date on other work to the extent that the Group has obtained the right to consideration.

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19: *Deferred taxation*.

Cash

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

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James R. Knowles (Holdings) PLC**Notes****2 Segmental analysis**

The table below sets out turnover, operating loss and net assets for each geographic area of operation by origin.

	Turnover £ 000	2006 Operating Loss £ 000	Net Assets £ 000
Continuing operations			
United Kingdom	15,508	(447)	(886)
Overseas	12,715	252	2,246
Holding Company Costs	-	(516)	-
Exceptional operating charge	-	(2,271)	-
	28,223	(2,982)	1,360
Discontinued operations			
United Kingdom	1,095	(73)	(188)
Overseas	85	(93)	(670)
Holding Company Costs	-	-	-
Exceptional operating charge	-	(60)	-
	1,180	(226)	(858)

Turnover by geographical destination is significantly different from turnover by origin and is as follows:

	2006 £ 000
Continuing operations	
United Kingdom	14,171
Overseas	14,052
	28,223
Discontinued operations	
United Kingdom	1,095
Overseas	85
	1,180

A split of overseas segmental information is not considered to be meaningful by the directors.

3 Loss on ordinary activities before taxation

	Continuing £ 000	Discontinued £ 000	Total £ 000
Other external charges	3,340	74	3,414

Staff costs	17,265	799	18,064
Depreciation and amortisation	1,307	20	1,327
Other operating charges	9,293	513	9,806

2006
£ 000

Operating loss is stated after charging the following:

Auditors' remuneration for audit related services including expenses:			
Principal			85
Secondary			54
			109
Hire of plant and machinery under operating leases			288
Amounts payable in respect of other operating leases			1,283
Depreciation and other amounts written off tangible fixed assets:			
Owned			412
Leased			159
Amortisation of goodwill			33
Loss on foreign exchange			29
Impairment of Goodwill			721
<i>Exceptional items:</i>			
Redundancy costs:			
Continuing operations			223
Discontinued operations			27
Onerous lease provision:			
Continuing operations			437
Discontinued operations			33
Directors retention bonus			110
Group disposal costs			122
Other costs			17
Impairment of goodwill on acquisition			721
Bad debt write off			115
Litigation costs			486
Taxation advice			40
			2,331

The effect of the above exceptional items is to decrease the taxation charge by £483,000.

(1) The Group's principal auditors, Baker Tilly, received £12,500 in respect of taxation work in addition to the fees disclosed above.

James R. Knowles (Holdings) PLC**Notes****3 Loss on ordinary activities before taxation (continued)**

On 23 December 2005 the Group disposed of its 90% shareholding in Knowles Loss Adjusters Limited . The profit on disposal of this subsidiary has been calculated as follows:

	£ 000
Disposal proceeds	850
Expenses of disposal	(156)
Net proceeds	694
Net assets of subsidiary at disposal	(666)
Minority interest on disposal	67
Profit on disposal	95

The net inflow of cash in respect of the sale of Knowles Loss Adjusters Limited is as follows:-

Cash consideration	850
Cash transferred on disposal	(19)
Associated costs of sale	(156)
Net inflow of cash	675

There is no tax effect from the profit on disposal of operations due to the substantial shareholding exemption.

The net profit of Knowles Loss Adjusters Limited from 1 August 2005 to the date of disposal was £57,000.

On 31 October 2005 the Group decided to close its Paris branch of James R. Knowles (Europe) Limited. The related closure costs were £197,000.

4 Remuneration of directors

	2006 £ 000
Directors' emoluments:	
As directors	695
Other emoluments	30
	725

The remuneration of individual directors during the year was as follows:

	Year Ended 31 July 2006		
	Salary and Fees £ 000	Other Benefits £ 000	Total £ 000
Executive Directors			
J. Roger Knowles ¹	185	1	186

Brian Quinn	360	18	378
Charlotte Parsons	116	11	127
	661	30	691

Non-Executive Directors

John Lee	17	-	17
Peter Bates	17	-	17
	34	-	34
	695	30	725

¹ A total of £165,400, in respect of the fees of J. Roger Knowles, has been paid to Wynton Services Limited, a company incorporated in the Republic of Cyprus.

5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees 2006
Fee earning staff	212
Administrative staff	130
	342

The aggregate payroll costs of these persons were as follows:

	2006 £ 000
Wages and salaries	16,516
Social security costs	1,263
Health insurance scheme	190
Staff accommodation	95
	18,064

6 Interest payable and similar charges

	2006 £ 000
On bank loans and overdrafts	177
Finance charges payable in respect of finance leases and hire purchase contracts	53
Other interest	87
	317

James R. Knowles (Holdings) PLC**Notes****7 Taxation****(a) Analysis of charge in period**

	2006
	£ 000
<i>Current tax</i>	£ 000
UK corporation tax on profits in the period	-
Adjustments in respect of prior periods	347
	347
Foreign tax	226
Total current tax (note 7 (b))	573
<i>Deferred tax</i>	
Origination and reversal of timing differences	(185)
Tax on profit on ordinary activities	388

(b) Factors affecting the tax charge for the current period

The effective rate of tax of 11% is lower than the standard UK rate of corporation tax of 30% principally due to the net effects of UK tax losses, unrelieved overseas tax losses and differences in foreign tax rates.

The differences are explained below.

	2006
	£ 000
Loss on ordinary activities before tax	(3,607)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(1,082)
<i>Effects of:</i>	
Expenses not deductible for tax purposes	363
Depreciation for period in excess of capital allowances	25
Unrelieved UK tax losses	718
Unrelieved overseas tax losses	273
Utilisation of tax losses brought forward	(66)
Other tax rates on overseas earnings	17
Adjustment to tax charge in respect of prior periods	347
Other tax adjustments	(22)
Current tax charge for the period (note 7 (a))	573

8 Earnings per share

	Continuing	Discontinued	2006 Total
Loss for the financial year (£000)	(3,745)	(335)	(4,080)
Weighted average number of shares	20,750,620	20,750,620	20,750,620
Basic (loss) per share (pence)	(18.0)	(1.7)	(19.7)

The share options have no dilutive effect.

James R. Knowles (Holdings) PLC**Notes****9 Intangible fixed assets**

	Goodwill £ 000
<i>Cost</i>	
At 1 August 2005	524
Additions	1,142
Impairment	(721)
At 31 July 2006	945
<i>Amortisation</i>	
At 1 August 2005	74
Charge for the year	33
At 31 July 2006	107
<i>Net book value</i>	
At 31 July 2006	838

On the 3rd July 2006, the Group acquired Knowles Lawyers Limited giving rise to goodwill of £721,000. Following an impairment review the carrying value of this goodwill was considered by the directors to be nil and the whole amount has been written off to the Profit & Loss account during the year.

The decision to acquire Knowles Lawyers Limited was taken in December 2005 by the Board, in the presence of its nominated advisors and solicitors. The transaction was not however completed until 3rd July 2006 as the Company was regulated by The Law Society. The deregulation and related client matters were subsequently completed and the acquisition finalised. On 21 July 2006, Hill SA (a wholly owned subsidiary of Hill International Inc) were announced to The London Stock Exchange as the preferred bidders for the sale of the Group. Following this announcement it was made very clear to the Board of Directors that on completion of the sale, the Group would divest of this subsidiary as it did not fit with the core services of the new Group. As a direct consequence of this decision, the goodwill arising on the acquisition of Knowles Lawyers Limited has been fully impaired at the year end.

10 Tangible fixed assets

	Land and buildings £ 000	Office and computer equipment £ 000	Motor vehicles £ 000	Total £ 000
<i>Cost or valuation</i>				
At 1 August 2005	49	5,849	167	6,065
Additions	-	357	65	422
Acquisition of subsidiary	-	38	-	38
Disposals	-	(69)	(46)	(115)
Disposal of subsidiary	-	(159)	-	(159)
Foreign exchange	-	(25)	(4)	(29)
At 31 July 2006	49	5,991	182	6,222
<i>Depreciation</i>				

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At 1 August 2005	31	4,586	156	4,773
Charge for the year	1	562	8	571
Disposals	-	(62)	(41)	(103)
Disposal of subsidiary	-	(121)	-	(121)
Foreign exchange	-	(23)	(4)	(27)
At 31 July 2006	32	4,942	119	5,093
<i>Net book value</i>				
At 31 July 2006	17	1,049	63	1,129

a) The above net book value includes an amount of £169,000 in respect of assets held under finance leases and similar hire purchase contracts. The total depreciation on such assets during the year amounts to £159,000.

b) Contained within land and buildings are short leaseholds as follows:

	2006
	£ 000
Cost	49
Depreciation	(32)
Net book value	17

James R. Knowles (Holdings) PLC

Notes

11 Fixed asset investments

£ 000

Group

Listed investments

Cost at 1 August 2005