

Phoenix Beard
REPORT AND FINANCIAL STATEMENTS
for the year ended
31 December 1998



Phoenix Beard

DIRECTORS AND OFFICERS

DIRECTORS

CS Edwards	Chairman
RJ Poynton	
IP Hughes	
WR Houle	
CJ Spruce	
J Lunt	
SJ Farrant	
EP O'Brien	
DG Cannon	
DC Richardson	
G McLaughlin	
CS Beard (Non-executive)	

SECRETARY

CJ Spruce

REGISTERED OFFICE

2 Chandos Street
Cavendish Square
London W1M 0EH

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

Phoenix Beard

DIRECTORS' REPORT

The directors submit their report and the financial statements of Phoenix Beard for the year ended 31 December 1998.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company trades as surveyors, valuers and property consultants. The directors are satisfied with the operating performance of the company and the financial position at the year end.

DIVIDENDS

The directors do not recommend the payment of a dividend.

DIRECTORS

The following directors have held office since 1 January 1998.

CS Edwards
RJ Poynton
IP Hughes
WR Houle
CJ Spruce
J Lunt
SJ Farrant
EP O'Brien
DG Cannon
DC Richardson
G McLaughlin
CS Beard (Non-executive)

Mr MJ Eagleton was removed as a director on 26 November 1998.

DIRECTORS' INTERESTS IN SHARES

The directors have no interest in the share capital of the company but their interests in the share capital of the parent company are disclosed in that company's directors' report.

YEAR 2000 COMPLIANCE

The problems associated with computer and digital systems using data which can accommodate the Year 2000 and beyond are well publicised. This is a complex and pervasive issue and the operation of the company's business not only depends on its own systems but also to some degree on those of its suppliers, bankers, clients and anyone else associated with its business. This could expose the company to risks in the event that there is a failure by other parties to address their own Year 2000 issues.

The directors believe that the potential risks to the business have been reviewed and reasonable steps have or are being taken to deal with the Year 2000 issues within the company. The costs to-date associated in dealing with the above issues have been absorbed within the normal running costs of the business and no significant further costs are expected to be incurred.

CHARITABLE CONTRIBUTIONS

During the year the company made charitable donations amounting to £1,115.

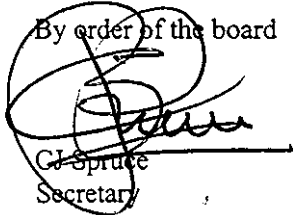
Phoenix Beard

DIRECTORS' REPORT

AUDITORS

The company has elected by elective resolution to dispense with the annual appointment of auditors. Accordingly, Baker Tilly, Chartered Accountants will continue as auditors within the provisions of Section 386 of the Companies Act 1985.

By order of the board



C. Spruce
Secretary

22 March 1999

Phoenix Beard

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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 requirements of 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.

AUDITORS' REPORT TO THE MEMBERS OF PHOENIX BEARD

We have audited the financial statements on pages 6 to 15.

Respective responsibilities of directors and auditors

As described on page 4 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.

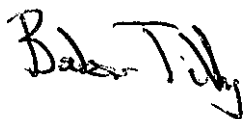
Basis of opinion

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 at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY

Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

22 March 1999

Phoenix Beard
 PROFIT AND LOSS ACCOUNT
 for the year ended 31 December 1998

	Notes	1998 £	1997 £
TURNOVER		3,786,624	3,528,423
Sub-contractors' fees		(38,656)	(26,276)
Net turnover		3,747,968	3,502,147
Administrative expenses			
- normal		(3,580,769)	(3,376,466)
- exceptional	1	(30,000)	-
OPERATING PROFIT		137,199	125,681
Interest receivable		10,286	16,927
Interest payable	2	(17,697)	(15,068)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	129,788	127,540
Taxation	5	(39,911)	(33,537)
PROFIT FOR THE FINANCIAL YEAR		89,877	94,003

The operating profit for the year arises from the company's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

Phoenix Beard

BALANCE SHEET

31 December 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Tangible assets	6	352,471	296,058
CURRENT ASSETS			
Debtors	7	1,055,327	897,075
Cash at bank and in hand		891	4,104
		<u>1,056,218</u>	<u>901,179</u>
CREDITORS: Amounts falling due within one year	8	(859,778)	(760,067)
NET CURRENT ASSETS		<u>196,440</u>	<u>141,112</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		548,911	437,170
CREDITORS: Amounts falling due after more than one year	9	(42,217)	(20,353)
NET ASSETS		<u>506,694</u>	<u>416,817</u>
CAPITAL AND RESERVES			
Called up share capital	10	25,000	25,000
Profit and loss account	11	481,694	391,817
SHAREHOLDERS' FUNDS	12	<u>506,694</u>	<u>416,817</u>

Approved by the board on 22 March 1999

CS Edwards

Director

CJ Spruce

Director

Phoenix Beard
CASH FLOW STATEMENT
for the year ended 31 December 1998

	Notes	1998 £	1997 £
Cash flow from operating activities	13a	(19,534)	295,630
Returns on investments and servicing of finance	13b	(7,411)	1,859
Taxation		(33,538)	(7,733)
Capital expenditure and financial investment	13b	(66,887)	(80,115)
CASH INFLOW BEFORE FINANCING		<u>(127,370)</u>	<u>209,641</u>
Financing	13b	(57,085)	(48,484)
(DECREASE)/INCREASE IN CASH IN THE PERIOD		<u>(184,455)</u>	<u>161,157</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN DEBT

	£
Decrease in cash in the period	(184,455)
Cash outflow re decrease in debt	42,830
Change in net debt resulting from cash flows	<u>(141,625)</u>
New hire purchase contracts	(104,002)
MOVEMENT IN NET DEBT IN PERIOD	<u>(245,627)</u>
NET DEBT AT 1 January 1997	(130,087)
NET DEBT AT 31 December 1998	<u>(375,714)</u>

Phoenix Beard

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

TANGIBLE FIXED ASSETS

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value over its expected useful life, as follows:-

Short leasehold	Straight line over the life of the lease
Computer equipment	20-33⅓% straight line
Fixtures and fittings	10% straight line
Motor vehicles	25% straight line

DEFERRED TAXATION

Provision is made for taxation deferred or accelerated by the effect of timing differences, to the extent that it is probable that a liability will crystallise, at the rate expected to be ruling at that date.

LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

PENSION SCHEME

The company operates certain defined contribution pension schemes. Pension costs charged against profits represent the amounts payable to the schemes in respect of the year.

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of services provided to customers after deducting shared fees attributable to third parties.

Phoenix Beard

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998

1 ADMINISTRATIVE EXPENSES

The exceptional charge represents compensation for loss of office in respect of a former director.

	1998	1997
	£	£
2 INTEREST PAYABLE		
Bank overdraft	13,700	11,291
Hire purchase interest	3,997	3,777
	<u>17,697</u>	<u>15,068</u>
	1998	1997
	£	£

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting):

Depreciation of tangible fixed assets:

Charge for the year:

owned assets	103,273	92,315
assets held under finance leases and hire purchase	17,612	3,562
Operating lease rentals:		
land and buildings	231,480	220,302
other operating leases	114,218	141,439
Auditors' remuneration	11,000	11,000

	1998	1997
	No.	No.
4 EMPLOYEES		
The average monthly number of persons (including directors) employed by the company during the year was:		
Management and administration	33	33
Property consultancy	51	50
	<u>84</u>	<u>83</u>
	1998	1997
	£	£

Staff costs for the above persons:

Wages and salaries	1,913,270	1,736,651
Social security costs	181,330	162,912
Other pension costs	113,013	86,197
	<u>2,207,613</u>	<u>1,985,760</u>

Phoenix Beard

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998

	1998	1997
	£	£
4 EMPLOYEES (<i>continued</i>)		
DIRECTORS' EMOLUMENTS		
Remuneration	748,605	604,272
Contribution to money purchase pension schemes	96,491	73,239
Compensation for loss of office	30,000	-
Total emoluments	<u>875,096</u>	<u>677,511</u>
	1998	1997
	£	£
The emoluments of the highest paid director were:		
Remuneration	89,970	78,784
Contribution to money purchase pension scheme	10,395	8,013
	<u>100,365</u>	<u>86,797</u>
	Number	Number
The number of directors to whom relevant benefits are accruing under money purchase pension schemes was	<u>12</u>	<u>11</u>
	1998	1997
	£	£
5 TAXATION		
Based on the profit for the year:		
UK corporation tax	<u>39,911</u>	<u>33,537</u>

Deferred tax was a deferred asset of 5,780 (1997 : £4,173) relating to the excess of depreciation over capital allowances. No provision has been made for this amount.

Phoenix Beard

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998

6 TANGIBLE FIXED ASSETS

	<i>Short leasehold £</i>	<i>Furniture and equipment £</i>	<i>Motor vehicles £</i>	<i>Total £</i>
Cost				
1 January 1998	86,669	742,726	169,642	999,037
Additions	-	42,790	137,749	180,539
Disposals	-	(401,291)	(60,093)	(461,384)
31 December 1998	86,669	384,225	247,298	718,192
Depreciation				
1 January 1998	37,331	545,241	120,407	702,979
Charged in the year	3,286	76,270	41,329	120,885
Disposals	-	(401,291)	(56,852)	(458,143)
31 December 1998	40,617	220,220	104,884	365,721
Net book value				
31 December 1997	49,338	197,485	49,235	296,058
31 December 1998	46,052	164,005	142,414	352,471

The net book value of motor vehicles includes £92,451 (1997 - £10,688) in respect of assets held under finance leases and hire purchase contracts.

7 DEBTORS

	1998 £	1997 £
Trade debtors	825,722	669,753
Amounts owed by parent undertaking	64,867	37,124
Other debtors	5,046	6,527
Prepayments and accrued income	159,692	183,671
	<u>1,055,327</u>	<u>897,075</u>

Phoenix Beard

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998

	1998	1997
	£	£
8 CREDITORS: Amounts falling due within one year		
Bank overdraft	298,877	117,635
Obligations under finance leases and hire purchase contracts	35,511	10,458
Trade creditors	90,090	162,226
Corporation tax	39,911	33,538
Other taxation and social security costs	255,691	232,385
Other creditors	49,352	102,270
Accruals and deferred income	90,346	101,555
	<u>859,778</u>	<u>760,067</u>

The bank overdraft is secured by a debenture giving fixed and floating charges on all assets of the company.

	1998	1997
	£	£
9 CREDITORS: Amounts falling due in more than one year		
Amount owed to parent undertaking	-	14,255
Obligations under finance leases and hire purchase contracts	42,217	6,098
	<u>42,217</u>	<u>20,353</u>
Repayable by instalments:		
Obligations under finance leases		
In the first to second year	28,957	6,098
in the second to fifth year	13,260	-
	<u>42,217</u>	<u>6,098</u>

	1998	1997
	£	£
10 SHARE CAPITAL		
Authorised:		
80,000 ordinary shares of £1 each	80,000	80,000
20,000 Management shares of £1 each	20,000	20,000
	<u>100,000</u>	<u>100,000</u>
Allotted, issued and fully paid:		
5,000 ordinary shares of £1 each	5,000	5,000
20,000 management shares of £1 each	20,000	20,000
	<u>25,000</u>	<u>25,000</u>

All of the allotted, called up and fully paid ordinary and management shares of the company are owned by the ultimate holding company. Details of the separate rights of the different classes of the company's share capital are, accordingly, not summarised in these financial statements as the directors consider to do so would not be of benefit to the sole shareholder. Details of the separate rights are set out in the company's Articles of Association.

Phoenix Beard

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998

	1998 £	1997 £
11 PROFIT AND LOSS ACCOUNT		
31 December 1997	391,817	297,814
Profit for the financial year	89,877	94,003
31 December 1998	<u>481,694</u>	<u>391,817</u>
12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	1998 £	1997 £
Profit for the financial year	89,877	94,003
Opening shareholders' funds	416,817	322,814
Closing shareholders' funds	<u>506,694</u>	<u>416,817</u>
All of the shareholders' funds are attributable to equity interests.		
13 CASH FLOWS	1998 £	1997 £
a Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	137,199	125,681
Depreciation	120,885	95,877
Profit on sale of fixed assets	(6,409)	(16,181)
Increase in debtors	(158,252)	(70,998)
(Decrease)/increase in creditors	(112,957)	161,251
Net cash flow from operating activities	<u>(19,534)</u>	<u>295,630</u>
b Analysis of cash flows for headings netted in the cash flow	1998 £	1997 £
Returns on investments and servicing of finance		
Interest received	10,286	16,927
Interest paid	(13,700)	(11,291)
Interest element of hire purchase contracts	(3,997)	(3,777)
Net cash outflow for returns on investment and servicing of income	<u>(7,411)</u>	<u>1,859</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(76,537)	(104,840)
Sale of tangible fixed assets	9,650	24,725
Net cash outflow for capital expenditure and financial investment	<u>(66,887)</u>	<u>(80,115)</u>
Financing		
Repayment of loan from parent undertaking	(14,255)	(32,467)
Repayment of capital element of hire purchase contracts	(42,830)	(16,017)
Net cash outflow from financing	<u>(57,085)</u>	<u>(48,484)</u>

Phoenix Beard

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998

13 CASH FLOWS (*continued*)

c Analysis of net debt

	At 31.12.97 £	Cash flow £	Other non cash changes £	At 31.12.98 £
Cash in hand, at bank	4,104	(3,213)		891
Overdrafts	(117,635)	(181,242)		(298,877)
		(184,455)		
Hire purchase contracts	(16,556)	42,830	(104,002)	(77,728)
Total	(130,087)	(141,625)	(104,002)	(375,714)

14 COMMITMENTS UNDER OPERATING LEASES

At 31 December 1998 the company had annual commitments under non-cancellable operating leases as follows:

	1998 £	1997 £
Land and buildings		
expiring in the second to fifth year	135,272	-
expiring after five years	101,500	235,144
Other		
expiring in the first year	68,227	71,237
expiring in the second to fifth year	62,067	112,519
	367,066	418,900

15 RELATED PARTY TRANSACTIONS

The company rendered property management services of £84,861 (1997: £84,637) to its parent company Phoenix Beard Group Limited during the year. Details of the year end balance with the parent company are set out in note 7.

16 ULTIMATE PARENT COMPANY

The company's ultimate parent company is Phoenix Beard Group Limited.