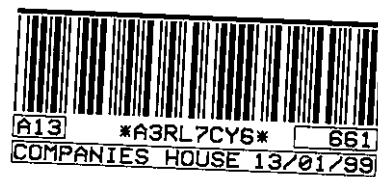


Company No: 1268721

PHOENIX BEARD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1997



PHOENIX BEARD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

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PHOENIX BEARD

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31st December 1997.

Statement of 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:

- 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 Companies Act 1985. The directors 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.

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

In view of the company's current and future requirements and the maintenance and development of the company's business the directors do not recommend the payment of a dividend.

Directors and their interests

The directors who served during the year were as follows;

| | |
|---|--|
| C S Edwards (Chairman) | |
| M J Eagleton (removed 26th November 1998) | C J Juniper (resigned 15th December 1997). |
| R J Poynton | J Lunt |
| I P Hughes | S J Farrant |
| W R Houle | E P O'Brien |
| C J Spruce | C S Beard (Non executive) |

Mr D G Cannon, Mr D C Richardson and Mr G McLaughlin were appointed directors on 1st January 1998.

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.

PHOENIX BEARD

DIRECTORS' REPORT (continued)

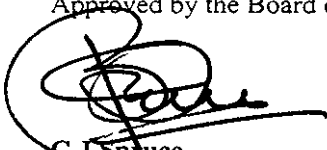
Charitable contributions

During the year the company made charitable donations amounting to £366.

Auditors

On 1st November 1997, the partners of Casson Beckman merged their practice with that of Baker Tilly, Chartered Accountants. The company has elected by elective resolution to dispense with the annual re-appointment of auditors. Accordingly, Baker Tilly will continue as auditors in accordance with the provisions of Section 386 Companies Act 1985.

Approved by the Board on 21/12/1998 and signed on its behalf by



C. J. Spruce
Secretary

Registered Office:

2 Chandos Street
Cavendish Square
London W1M 0EH.

PHOENIX BEARD

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies as set out on page 7.

Respective responsibilities of directors and auditors

As described in the directors' report, 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 financial statements and to report our opinion to you.

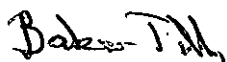
Basis of opinion

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, are consistently applied and are 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 as at 31st December 1997 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY

Chartered Accountants
and Registered Auditors

Hobson House
155 Gower Street
London WC1E 6BJ

21-12-1998

PHOENIX BEARD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1997

| | Notes | 1997 £ | 1996 £ |
|---|-------|-------------|-------------|
| Gross turnover | | 3,528,423 | 3,342,260 |
| Subcontractors' fees | | (26,276) | (104,895) |
| Net turnover | | 3,502,147 | 3,237,365 |
| Administrative expenses | | (3,376,466) | (3,185,268) |
| Operating profit | 2 | 125,681 | 52,097 |
| Interest receivable | 3 | 16,927 | 5,233 |
| Interest payable | 4 | (15,068) | (43,145) |
| Profit on ordinary activities before taxation | | 127,540 | 14,185 |
| Tax on profit on ordinary activities | 6 | (33,537) | (7,830) |
| Profit for the financial year | 12 | £ 94,003 | £ 6,355 |

Turnover and operating profit arise from continuing operations.

The company has no recognised gains or losses other than those dealt with in the profit and loss account.

PHOENIX BEARD

BALANCE SHEET

AT 31ST DECEMBER 1997

| | Notes | £ | 1997 £ | £ | 1996 £ |
|--|-------|-----------|-----------------|----------------|-----------------|
| Fixed assets | | | | | |
| Tangible assets | 7 | | 296,058 | | 295,639 |
| Current assets | | | | | |
| Debtors | 8 | 897,075 | | 826,077 | |
| Cash at bank and in hand | | 4,104 | | 3,132 | |
| | | | <u>901,179</u> | <u>829,209</u> | |
| Creditors: Amounts falling due within one year | 9 | (760,067) | | (747,585) | |
| Net current assets | | | <u>141,112</u> | | <u>81,624</u> |
| Total assets less current liabilities | | | <u>437,170</u> | | <u>377,263</u> |
| Creditors: Amounts falling due after more than one year | 10 | | (20,353) | | (54,449) |
| Net assets | | | <u>£416,817</u> | | <u>£322,814</u> |
| Capital and reserves | | | | | |
| Called up share capital | 11 | | 25,000 | | 25,000 |
| Profit and loss account | 12 | | 391,817 | | 297,814 |
| Shareholders' funds | | | <u>£416,817</u> | | <u>£322,814</u> |

Approved by the Board on 24/12/1998 and signed on its behalf by

C S Edwards - Director

C J Spruce - Director

PHOENIX BEARD

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 1997

| | Note | £ | 1997 £ | £ | 1996 £ |
|---|------|-----------|-----------|-----------|-----------|
| Net cash inflow from operating activities | 13 | | 295,630 | | 70,809 |
| Returns on investments and servicing of finance | | | | | |
| Interest received | | 16,927 | | 5,233 | |
| Interest paid | | (11,291) | | (19,749) | |
| Interest element of hire purchase contracts | | (3,777) | | (23,396) | |
| | | | 1,859 | | (37,912) |
| Taxation | | | | | |
| Corporation tax paid | | (7,733) | | (16,794) | |
| | | | (7,733) | | (16,794) |
| Capital expenditure and financial investment | | | | | |
| Payments to acquire tangible fixed assets | | (104,840) | | (50,903) | |
| Proceeds from sale of tangible fixed assets | | 24,725 | | 238,700 | |
| | | | (80,115) | | 187,797 |
| Net cash inflow before financing | | | 209,641 | | 203,900 |
| Financing | | | | | |
| Repayment of loan from parent undertaking | | (32,467) | | (35,778) | |
| Repayment of capital on hire purchase contracts | | (16,017) | | (212,528) | |
| | | | (48,484) | | (248,306) |
| Increase/(decrease) in cash and cash equivalents | 13 | | £161,157 | | £(44,406) |

PHOENIX BEARD

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

1. Accounting policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

Basis of accounting

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

Turnover

Turnover represents amounts invoiced by the company in respect of services rendered during the year stated net of value added tax and after deducting shared fees attributable to third parties.

Tangible fixed assets

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset over the expected useful life as follows:

| | | |
|------------------------------|---|--|
| Leasehold land and buildings | - | Straight line over the life of the lease |
| Computer equipment | - | 20-25% Straight line |
| Fixtures and fittings | - | 10% Straight line |
| Motor vehicles | - | 25% Straight line |

During the year, the directors revised the depreciation rate on computer equipment from 20% to 25% on the grounds that this more accurately reflected the useful lives of the assets.

Deferred taxation

Deferred taxation is calculated on the liability method. It is provided to the extent that it is considered, with reasonable probability, that a liability will become payable within the foreseeable future.

Leasing and hire purchase

Rentals payable under operating leases are charged against profits on a straight line basis over the terms of the leases. Assets acquired under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated in accordance with the accounting policy on depreciation - the related net obligations are included within creditors and the finance costs are charged against profits on a straight line basis over the terms of the contracts.

Pensions

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.

PHOENIX BEARD

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 1997

2. Operating profit

| | 1997 £ | 1996 £ |
|---|-----------|-----------|
| The operating profit is stated after charging:- | | |
| Auditors' remuneration | 11,000 | 11,000 |
| Depreciation | 95,877 | 102,503 |
| Operating lease rentals:- | | |
| Land and buildings | 220,302 | 221,150 |
| Other operating leases | 141,439 | 68,367 |
| | <hr/> | <hr/> |

3. Interest receivable

| | 1997 | 1996 |
|--------------------------|---------|--------|
| Bank interest receivable | £16,927 | £5,233 |
| | <hr/> | <hr/> |

4. Interest payable

| | 1997 £ | 1996 £ |
|------------------------|-----------|-----------|
| On bank overdraft | 11,291 | 19,749 |
| Hire purchase interest | 3,777 | 23,396 |
| | <hr/> | <hr/> |
| | £15,068 | £43,145 |
| | <hr/> | <hr/> |

5. Directors and employees

| | 1997 £ | 1996 £ |
|---|------------|------------|
| Staff costs (including directors) during the year amounted to:- | | |
| Wages and salaries | 1,736,651 | 1,638,425 |
| Social security costs | 162,912 | 154,261 |
| Pension costs | 86,197 | 27,053 |
| | <hr/> | <hr/> |
| | £1,985,760 | £1,819,739 |
| | <hr/> | <hr/> |

PHOENIX BEARD

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 1997

| | | |
|--|-----------------|-----------------|
| 5. Directors and employees (continued) | 1997 | 1996 |
| The average monthly number of employees during the year was: | No. | No. |
| Management and administration | 33 | 33 |
| Property consultancy | 50 | 49 |
| | — | — |
| | 83 | 82 |
| | — | — |
| | 1997 | 1996 |
| | £ | £ |
| Directors' emoluments | | |
| Remuneration | 604,272 | 585,328 |
| Contributions to money purchase pension schemes | 73,239 | 15,126 |
| | £677,511 | £600,454 |
| The emoluments of the highest paid director were: | | |
| Remuneration | 78,784 | 66,876 |
| Contributions to money purchase pension scheme | 8,013 | 3,702 |
| | £86,797 | £70,578 |
| The number of directors to whom retirement benefits are accruing in respect of qualifying services to the company is as follows: | | |
| | 1997 | 1996 |
| | No. | No. |
| Money purchase schemes | 11 | 10 |
| | — | — |
| 6. Taxation | 1997 | 1996 |
| | £ | £ |
| The taxation charge which is based on the results of the year is made up as follows:- | | |
| Current year | | |
| Corporation tax | £33,537 | £7,830 |

Deferred tax was a deferred asset of £9,069 (1996: £10,880) relating to the excess of depreciation over capital allowances. No provision has been made for this amount.

PHOENIX BEARD

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 1997

7. Tangible fixed assets

| | Short leasehold £ | Furniture and equipment £ | Motor vehicles £ | Total £ |
|-----------------------|-------------------------|------------------------------------|------------------------|------------|
| Cost | | | | |
| At 1st January 1997 | 86,669 | 686,423 | 212,073 | 985,165 |
| Additions at cost | - | 56,303 | 48,537 | 104,840 |
| Disposals | - | - | (90,968) | (90,968) |
| At 31st December 1997 | 86,669 | 742,726 | 169,642 | 999,037 |
| Depreciation | | | | |
| At 1st January 1997 | 34,031 | 479,396 | 176,099 | 689,526 |
| Charge for the year | 3,300 | 65,845 | 26,732 | 95,877 |
| Disposals | - | - | (82,424) | (82,424) |
| At 31st December 1997 | 37,331 | 545,241 | 120,407 | 702,979 |
| Net book value | | | | |
| At 31st December 1997 | £49,338 | £197,485 | £49,235 | £296,058 |
| At 31st December 1996 | £52,638 | £207,027 | £35,974 | £295,639 |

The net book value of the company's fixed assets includes £10,688 (1996 - £29,918) in respect of assets held under finance leases and hire purchase contracts, and the related depreciation charge for the year in respect of those assets is £3,562 (1996: £18,557).

8. Debtors

| | 1997 £ | 1996 £ |
|-----------------------------------|-----------------|-----------------|
| Trade debtors | 669,753 | 570,857 |
| Amount owed by parent undertaking | 37,124 | 31,238 |
| Other debtors | 6,527 | 1,761 |
| Prepayments and accrued income | 183,671 | 222,221 |
| | <u>£897,075</u> | <u>£826,077</u> |

PHOENIX BEARD

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 1997

9. Creditors: Amounts falling due within one year

| | 1997 £ | 1996 £ |
|--|-----------------|-----------------|
| Bank overdraft | 117,635 | 277,820 |
| Trade creditors | 162,226 | 126,273 |
| Corporation tax | 33,538 | 7,734 |
| Other taxes and social security costs | 232,385 | 207,681 |
| Net obligations under finance lease and hire purchase contracts | 10,458 | 24,846 |
| Other creditors | 102,270 | 6,753 |
| Accruals | 101,555 | 96,478 |
| | <u>£760,067</u> | <u>£747,585</u> |

The bank overdraft is secured by way of fixed and floating charges over the assets of the company.

10. Creditors: Amounts falling due after more than one year

| | 1997 £ | 1996 £ |
|--|----------------|----------------|
| Obligations under finance leases and hire purchase contracts | 6,098 | 7,727 |
| Amount owed to parent undertaking | 14,255 | 46,722 |
| | <u>£20,353</u> | <u>£54,449</u> |
| Net obligations under finance leases and hire purchases contracts | | |
| Repayable: within one year | 11,921 | 26,532 |
| between one and five years | 7,118 | 8,694 |
| | <u>19,039</u> | <u>35,226</u> |
| Finance charges and interest allocated to future accounting periods | (2,483) | (2,653) |
| | <u>16,556</u> | <u>32,573</u> |
| Included in current liabilities | (10,458) | (24,846) |
| | <u>£ 6,098</u> | <u>£ 7,727</u> |

Net obligations under finance leases and hire purchase contracts are secured on the assets acquired.

PHOENIX BEARD

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 1997

11. Share capital

| | 1997 £ | 1996 £ |
|-------------------------------------|-----------------|-----------------|
| Authorised: | | |
| 80,000 Ordinary shares of £1 each | 80,000 | 80,000 |
| 20,000 Management shares of £1 each | 20,000 | 20,000 |
| | <hr/> | <hr/> |
| | £100,000 | £100,000 |
| | <hr/> | <hr/> |
| Allotted, called up 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 |
| | <hr/> | <hr/> |
| | £ 25,000 | £ 25,000 |
| | <hr/> | <hr/> |

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.

12. Reserves and reconciliation of movements in shareholders' funds

| | Share Capital £ | Profit and loss account £ | Total shareholders' funds £ |
|------------------------------------|-----------------------|------------------------------------|--------------------------------------|
| Opening shareholders' funds | 25,000 | 297,814 | 322,814 |
| Profit for the financial year | - | 94,003 | 94,003 |
| | <hr/> | <hr/> | <hr/> |
| Closing shareholders' funds | £25,000 | £391,817 | £416,817 |
| | <hr/> | <hr/> | <hr/> |

All of the shareholders' funds are attributable to equity interests.

13. Notes to the cash flow statement

| | 1997 £ | 1996 £ |
|---|-----------------|----------------|
| Reconciliation of operating profit to net cash inflow from operating activities:- | | |
| Operating profit | 125,681 | 52,097 |
| Depreciation | 95,877 | 102,503 |
| Profit on sale of tangible fixed assets | (16,181) | (10,241) |
| (Increase)/decrease in debtors | (70,998) | 13,654 |
| Increase/(decrease) in creditors | 161,251 | (87,204) |
| | <hr/> | <hr/> |
| Net cash inflow from operating activities | £295,630 | £70,809 |
| | <hr/> | <hr/> |

PHOENIX BEARD

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST DECEMBER 1997

14. Notes to the cash flow statement (continued)

Reconciliation of net cash flow to movement in net debt:-

| | |
|--------------------------------|-----------|
| Increase in cash in the period | 161,157 |
| Net debt at 31st December 1996 | (274,688) |

| | |
|--------------------------------|-------------------|
| Net debt at 31st December 1997 | <u>£(113,531)</u> |
|--------------------------------|-------------------|

Analysis of changes in net debt:

| | At 1st January 1996 £ | Cashflows £ | At 31st December 1997 £ |
|--------------|--------------------------------|-----------------|----------------------------------|
| Cash at bank | 3,132 | 972 | 4,104 |
| Overdrafts | (277,820) | 160,185 | (117,635) |
| Total | <u>£(274,688)</u> | <u>£161,157</u> | <u>£(113,531)</u> |

14. Client monies

At 31st December 1997, clients' monies held in approved bank accounts amounted to £4,594,415 (1996: £6,594,000). This amount and the matching liability to the clients concerned are not included in the company's balance sheet.

15. Operating lease commitments

At 31st December 1997 the company was committed to making the following payments during the next year in respect of operating leases:-

| | Land and buildings | | Other | |
|-----------------------|--------------------|-----------------|-----------------|-----------------|
| | 1997 £ | 1996 £ | 1997 £ | 1996 £ |
| Leases which expire:- | | | | |
| Within 1 to 5 years | - | - | 71,237 | 157,890 |
| After 5 years | 235,144 | 233,988 | 112,519 | - |
| | <u>£235,144</u> | <u>£233,988</u> | <u>£183,756</u> | <u>£157,890</u> |

16. Related party disclosures

The company rendered property management services of £ 83,637 (1996 : £25,000) 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 8.

17. Ultimate parent company

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