

BUILDING & PROPERTY (HOLDINGS) LIMITED
(formerly Pythonpark Limited)

Report and Financial Statements

Period 26 July 1996 to 31 December 1997

The Company commenced trading on 13 September 1996

Deloitte & Touche
Hill House
1 Little New Street
London
EC4A 3TR



REPORT AND FINANCIAL STATEMENTS 1997

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M G Darroch
C J Groom
M W Swinyard
M Boughton (non-executive)
G Cook (non-executive)

SECRETARY

M G Darroch

REGISTERED OFFICE

Building & Property House
19-23 Blackfriars Road
Blackfriars
London
SE1 8NY

AUDITORS

Deloitte & Touche
Hill House
1 Little New Street
London
EC4A 3TR

BANKERS

Bank of Scotland
Threadneedle Street
London

SOLICITORS

Clifford Chance
200 Aldersgate Street
London
EC1A 4JJ

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the period from incorporation to 31 December 1997.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company was incorporated on 26 July 1996 as Pythonpark Limited. On 13 September 1996 the company changed its name to Building & Property (Holdings) Limited and commenced trading.

The company was established to acquire the entire issued share capital of Building & Property Group Limited (formerly Building & Property Management Services Limited) ('BPG'). This company was acquired on 13 September 1996.

The principal activity of the company is to act as a holding company for BPG. BPG's subsidiary undertakings provide comprehensive management and maintenance services. In addition the group provides conservation architecture and specialist consultancy both in the UK and overseas. The directors report that this will continue to be the principal activity of the group for the foreseeable future.

RESULTS AND DIVIDENDS

The results of the group for the period ended 31 December 1997 are set out in the financial statements on page 6.

Dividends of £1,966,000 have been proposed during the period.

DIRECTORS AND DIRECTORS' INTERESTS

The directors during the period and their interests in the company at 31 December 1997 were:

		Interests in share capital		
		'A'	'B'	Preference
		Ordinary shares		shares
M Boughton	(appointed 13 September 1996)	-	1,667	-
M G Darroch	(appointed 20 August 1996)	4,556	405	74,606
C J Groom	(appointed 20 August 1996)	5,692	1,396	167,156
M W Swinyard	(appointed 20 August 1996)	4,556	389	73,277
G Cook	(appointed 6 January 1997)	2,640	-	23,760
P J Charlton	(appointed 26 July 1996, resigned 20 August 1996)			
M E Richards	(appointed 26 July 1996, resigned 20 August 1996)			
B A Taylor	(appointed 20 August 1996, resigned 31 October 1997)			

DIRECTORS' REPORT (continued)

EMPLOYEES

The group's management policy seeks to ensure that all employees' careers are determined solely on merit. No employee will suffer because of gender, race, ethnic origin or religious belief.

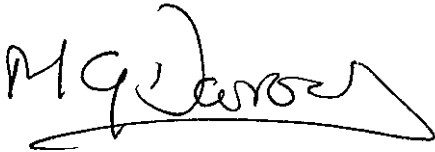
It is the group's policy to consider for employment and enable suitably qualified disabled persons to seek and maintain employment and to assist them in overcoming their handicaps at work. The group recognises that special conditions are necessary in view of the nature of its main activities to ensure that disabled persons employed are properly trained for the tasks they perform.

Managers are tasked with developing employees' awareness of factors affecting the business and matters concerning them as employees and noting employees' views so they can be taken into account when making decisions which may affect them or the business.

AUDITORS

The directors appointed Deloitte & Touche as the company's first auditors. Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



M G Darroch
Secretary

31 March 1998



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group as at the end of the financial period and of the profit or loss of the group for that period. In preparing these 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;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group and to enable them to ensure the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Chartered Accountants

Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR

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International + 44 171 936 3000
Telex: 884739 TRLNDN G
Fax (Gp. 3): 0171 583 8517
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AUDITORS' REPORT TO THE MEMBERS OF

BUILDING & PROPERTY (HOLDINGS) LIMITED (formerly Pythonpark Limited)

We have audited the financial statements on pages 6 to 23 which have been prepared under the accounting policies set out on pages 10 and 11.

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 and the group'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 affairs of the company and the group as at 31 December 1997 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and
Registered Auditors

31 March 1998

CONSOLIDATED PROFIT AND LOSS ACCOUNT
 Period 26 July 1996 to 31 December 1997

	Note	1997 £'000
TURNOVER	2	371,651
Cost of sales	3	(336,592)
GROSS PROFIT		35,059
Administrative expenses		(12,234)
OPERATING PROFIT	4	22,825
Share of result of associated undertaking		-
Interest receivable and other income	7	4,270
Interest payable and similar charges	8	(7,021)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		20,074
Tax on profit on ordinary activities	9	(5,845)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		14,229
Dividends - non equity	10	(1,966)
RETAINED PROFIT FOR THE PERIOD	22	12,263

The group commenced trading on 13 September 1996.

All items dealt with in arriving at the profit on ordinary activities before taxation related to acquired operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
 Period 26 July 1996 to 31 December 1997

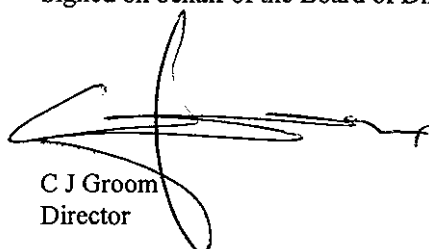
There are no recognised gains and losses for the period other than as stated in the profit and loss account, accordingly a statement of recognised gains and losses has not been presented.

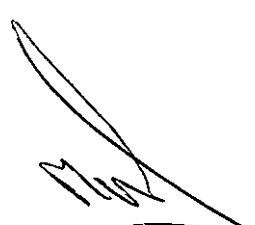
CONSOLIDATED BALANCE SHEET
31 December 1997

	Note	1997 £'000	1997 £'000
FIXED ASSETS			
Tangible assets	12		324
Investments	14		25
			<u>349</u>
CURRENT ASSETS			
Debtors - receivable within one year	15	39,020	
Debtors - receivable after one year	15	391	
Cash at bank and in hand		5,083	
		<u>44,494</u>	
CREDITORS: amounts falling due within one year	16	(64,168)	
NET CURRENT LIABILITIES			<u>(19,674)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(19,325)</u>
CREDITORS: amounts falling due after more one year	17		19,244
PROVISIONS FOR LIABILITIES AND CHARGES	19		8,027
SHARE CAPITAL AND RESERVES			
Called up share capital	21		191
Share premium	22		18,797
Profit and loss account	22		12,263
Goodwill reserve	22		(77,847)
SHAREHOLDERS' FUNDS			<u>(46,596)</u>
			<u>(19,325)</u>
Attributable to equity shareholders			(65,469)
Attributable to non-equity shareholders			18,873
			<u>(46,596)</u>

These financial statements were approved by the Board of Directors on 31 March 1998.

Signed on behalf of the Board of Directors


 C J Groom
 Director

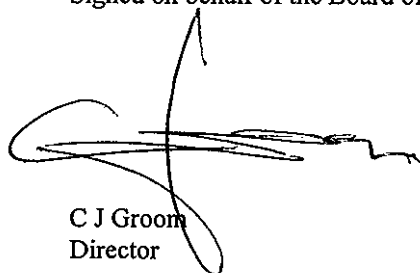

 M W Swinyard
 Director

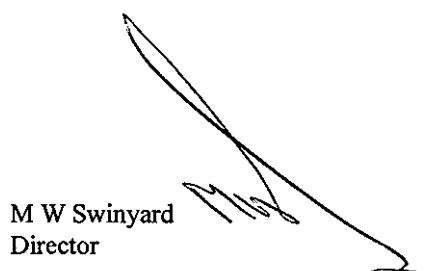
COMPANY BALANCE SHEET
31 December 1997

	Note	1997 £'000	1997 £'000
FIXED ASSETS			
Investments	14		78,524
CURRENT ASSETS			
Debtors - receivable within one year	15	2,697	
Cash at bank and in hand		815	
		<u>3,512</u>	
CREDITORS: amounts falling due within one year	16	(10,159)	
NET CURRENT LIABILITIES			<u>(6,647)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>71,877</u>
CREDITORS: amounts falling due after more one year	17		52,798
SHARE CAPITAL AND RESERVES			
Called up share capital	21		191
Share premium	22		18,797
Profit and loss account	22		91
			<u>19,079</u>
SHAREHOLDERS' FUNDS			<u>71,877</u>
Attributable to equity shareholders			206
Attributable to non-equity shareholders			18,873
			<u>19,079</u>

These financial statements were approved by the Board of Directors on 31 March 1998.

Signed on behalf of the Board of Directors


 C J Groom
 Director


 M W Swinyard
 Director

CONSOLIDATED CASH FLOW STATEMENT
Period 26 July 1996 to 31 December 1997

	Note	1997 £'000	£'000
Net cash inflow from operating activities	27		9,898
Returns on investments and servicing of finance			
Interest received		4,270	
Interest paid		(6,371)	
Dividends paid on non-equity shares		(1,210)	
			(3,311)
Taxation			
UK corporation tax paid			(8,139)
Capital expenditure			
Payments to acquire tangible fixed assets		(8)	
Proceeds from the disposal of tangible fixed assets		25	
			17
Acquisitions and disposals			
Net cash outflow arising on purchase of subsidiary undertakings	13, 30	(34,648)	
Payment to acquire investment in associated undertaking		(25)	
			(34,673)
Net cash outflow before financing			(36,208)
Financing			
Issue of share capital			18,988
New loan finance		30,000	
Repayment of loan finance		(6,000)	
Payment of loan issue costs		(1,697)	
			22,303
Net cash inflow from financing			41,291
Increase in cash during the period	29		5,083



NOTES TO THE ACCOUNTS

Period 26 July 1996 to 31 December 1997

1. ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

Basis of presentation

The group accounts include the accounts of Building & Property (Holdings) Limited and all of its subsidiary undertakings for the period from 26 July 1996 to 31 December 1997, or their date of acquisition if later.

Basis of preparation

The group meets its day to day working capital requirements through short term bank finance with long term finance being supplied by way of a bank loan facility.

The nature of the group's business is such that there can be considerable variation in the timing of cash inflows. The directors have prepared a budget forecast and cash flow forecast where they expect to report profits and a positive cash flow for 1998.

On the basis of information contained in the budget forecast and cash flow forecast, the directors have formed a judgement at the time of approving the financial statements that with the bank's continued support it is appropriate to prepare the financial statements on the going concern basis.

Turnover

Turnover represents sales and value of work done excluding all internal transactions within the group and VAT.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset on a straight line basis over its anticipated useful life, as follows:

Plant and equipment	three to five years
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Acquisitions and disposals

On the acquisition of a business fair values are attributed to the group's share of net tangible assets. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill and is written off directly to reserves in the period of acquisition.

Investments

Investments in subsidiary and associated undertakings are stated at cost less provision for permanent diminution in value.

In the consolidated accounts, shares in associated undertakings are accounted for using the equity method. The consolidated profit and loss account includes the group's share of the pre-tax profits and attributable taxation of the associated undertakings. In the consolidated balance sheet the investment in associated undertakings is shown as the group's share of the net assets, excluding goodwill, of the associated undertakings.

NOTES TO THE ACCOUNTS

Period 26 July 1996 to 31 December 1997

1. ACCOUNTING POLICIES (continued)

Taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the periods of the leases.

Pensions

Contributions to pension schemes are allocated to the profit and loss account so as to maintain a substantially level percentage of relevant payroll costs over the normal expected service lives of employees.

Accrued income

Work in progress is valued at the lower of cost and net realisable value. Cost of work in progress includes overheads appropriate to the stage of completion. Net realisable value is based upon estimated billings less costs expected to be incurred to completion and disposal.

Long term contracts are assessed on a contract by contract basis and reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Turnover is ascertained in a manner appropriate to the stage of completion of the contract, and credit taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty.

Contract accrued income is stated at cost plus attributable profits less provision for any known or anticipated losses and payments on account received and receivable. Payments received on account in excess of the value of work done on each contract are included in creditors.

Contract termination provision

In appropriate cases where staff are employed on long term fixed period contracts, contract termination provisions are set up and include redundancy costs based on current legislation and existing employment terms. The level of provisions retained are reviewed at the end of each accounting period.

2. TURNOVER

The activities of the group are regarded by the directors as a single class of business, and are all performed in the United Kingdom. There were no significant sales outside the UK.

3. COST OF SALES

Cost of sales includes an exceptional credit of £911,000 relating to a reduction in the contract termination provision. The amount relates to acquired operations.

NOTES TO THE ACCOUNTS

Period 26 July 1996 to 31 December 1997

4. OPERATING PROFIT

Period 26 July 1996 to
 31 December 1997
 Group
 £'000

Operating profit is stated after charging:

Depreciation	472
Hire of plant and equipment	2,454
Auditors' remuneration:	
- audit fees	110
- other fees	121
Rental charges for land and buildings	1,115

5. DIRECTORS' EMOLUMENTS

Period 26 July 1996 to
 31 December 1997
 £'000

Directors' emoluments:

Total emoluments	628
Total pension contributions paid in respect of a money purchase scheme	16
	<u>644</u>

In addition to the above, an amount of £130,000 was paid as compensation for loss of office during the period.

The number of directors who are members of a defined benefit pension scheme were three. One director is a member of a money purchase pension scheme.

£'000

Emoluments of highest paid director:

Total emoluments (excluding pension contributions)	<u>259</u>
----------------------------------------------------	------------

The amount of pension benefit accruing to the highest paid director is £56,880 per annum.

NOTES TO THE ACCOUNTS
Period 26 July 1996 to 31 December 1997

6. EMPLOYEES

**Period 26 July 1996 to
 31 December 1997
 £'000**

Staff costs during the period (including directors):	
Wages and salaries	38,122
Social security costs	3,219
Other pension costs	2,857
	<u>44,198</u>

No.

The average weekly number of employees during the period was	<u>1,561</u>
--------------------------------------------------------------	--------------

The group also utilised 351 agency staff whose costs are not included above.

7. INTEREST RECEIVABLE AND OTHER INCOME

**Period 26 July 1996 to
 31 December 1997
 Group
 £'000**

Interest receivable and other income:	
Bank and short term deposits	<u>4,270</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

**Period 26 July 1996 to
 31 December 1997
 Group
 £'000**

Amortisation of issue costs	574
Interest payable and similar charges: bank loans	6,447
	<u>7,021</u>

NOTES TO THE ACCOUNTS

Period 26 July 1996 to 31 December 1997

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

**Period 26 July 1996 to
 31 December 1997
 Group
 £'000**

The taxation charge is made up as follows:

UK corporation tax at 31% based on the profit for the period

5,845

10. DIVIDENDS

**Period 26 July 1996 to
 31 December 1997
 Group
 £'000**

Preference dividend on redeemable non equity shares

1,966

11. PROFIT AND LOSS ACCOUNT

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The consolidated profit and loss account includes a profit after tax and before dividends of £2,057,000 which is dealt with in the accounts of the parent company.

12. TANGIBLE FIXED ASSETS

Group

**Plant and
 equipment
 £'000**

Cost

Acquired on 13 September 1996

2,762

Other additions

8

Disposals

(109)

At 31 December 1997

2,661

Depreciation

Acquired on 13 September 1996

1,949

Provided during the period

472

Disposals

(84)

At 31 December 1997

2,337

Net book value

31 December 1997

324

Acquired on 13 September 1996

813

NOTES TO THE ACCOUNTS

Period 26 July 1996 to 31 December 1997

13. ACQUISITION OF SUBSIDIARIES

On 13 September 1996, the company acquired from AMEC plc and Pell Frischmann Facilities Management Limited 100% of the issued share capital of Building & Property Group Limited (formerly Building & Property Management Services Limited) which is registered in England and Wales.

The following table sets out the assets and liabilities purchased. No fair value adjustments were required to book value of the assets acquired.

Book values and fair value to the group

	1997
	£'000
Net assets acquired:	
Tangible fixed assets	813
Cash at bank and in hand	23,787
Debtors	8,906
Prepayments and other current assets	1,613
Accrued income	8,215
Creditors and accruals	(37,867)
Deferred income	(4,234)
Provisions (note 19)	(10,237)
Taxation	(5,319)
	<u>(14,323)</u>
Goodwill	77,847
	<u>63,524</u>
Total net purchase consideration for the acquired business	<u><u>63,524</u></u>
Satisfied by:	
Cash consideration	58,435
Deferred consideration	5,089
	<u><u>63,524</u></u>

The deferred consideration is dependent upon the final determination of certain assets and liabilities.

Prior period trading results	1 Oct 1995 to 12 Sept 1996 £'000	1 Oct 1994 to 30 Sept 1995 £'000
Turnover	373,625	364,559
Operating profit	16,883	12,763
Profit before taxation	19,766	15,523
Taxation	(5,319)	(8,513)
Profit after taxation	<u><u>14,447</u></u>	<u><u>7,010</u></u>

NOTES TO THE ACCOUNTS

Period 26 July 1996 to 31 December 1997

14. INVESTMENT

Group	1997 £'000
Shares in associated undertaking	<u>25</u>

Associated undertaking	Country of incorporation and operation	Percentage of equity owned by company at 31 December 1997
Health Management (Carlisle) plc*	England	50%

The group acquired 50% of the issued share capital of Health Management (Carlisle) plc on 3 November 1997. There was no goodwill associated with the transaction.

The principal activity of Health Management (Carlisle) plc is the refurbishment, design and construction of hospital buildings and the subsequent management and provision of non-clinical support services at the hospitals.

Company	1997 £'000
Shares in subsidiary undertakings (note 13)	63,524
Increase in investment in subsidiary undertakings	<u>15,000</u>
	<u>78,524</u>

The company's principal subsidiary undertakings are:

Subsidiary undertakings	Country of incorporation/registration and operation	Activity	Portion of ordinary shares held %
Building & Property Group Limited	England and Wales	Holding company	100
*Unicorn Consultancy Services Limited	England and Wales	Management and maintenance services	100
*Building & Property Defence Limited	England and Wales	Management and maintenance services	100
Building & Property Limited	England and Wales	Management and maintenance services	100
*The Conservation Practice Architects & Specialist Consultants Limited	England and Wales	Conservation, architectural and specialist consultancy	100

All companies marked with an * are owned through shareholdings in other companies.

NOTES TO THE ACCOUNTS

Period 26 July 1996 to 31 December 1997

15. DEBTORS

	1997 Group £'000	Company £'000
Due within one year:		
Trade debtors	14,846	-
Other debtors	190	43
Amounts due from subsidiary undertakings	-	1,200
Group relief	-	1,454
Corporation tax recoverable	1,993	-
Prepayments and accrued income	21,991	-
	<u>39,020</u>	<u>2,697</u>
Due after more than one year:		
Advance corporation tax recoverable	303	-
Other debtors	88	-
	<u>391</u>	<u>-</u>
	<u>39,411</u>	<u>2,697</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 Group £'000	Company £'000
Bank loans (note 18)	3,633	3,633
Trade creditors	19,820	-
Corporation tax	4,855	-
Consortium relief	468	-
Taxation and social security	2,935	74
Other creditors	6,260	5,102
Accruals and deferred income	25,441	594
Accrued dividends	756	756
	<u>64,168</u>	<u>10,159</u>

NOTES TO THE ACCOUNTS

Period 26 July 1996 to 31 December 1997

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group £'000	1997 Company £'000
Bank loans (note 18)	19,244	19,244
Amounts owed to subsidiary undertakings	-	33,554
	<u>19,244</u>	<u>52,798</u>

18. BANK LOANS

Group and Company	Loan 1997 £'000	Issue costs 1997 £'000	Balance 1997 £'000
Analysis of loan repayments:			
Bank loans and overdrafts falling due:			
- within one year	4,000	(367)	3,633
- between one and two years	4,500	(302)	4,198
- between two and five years	15,500	(454)	15,046
	<u>24,000</u>	<u>(1,123)</u>	<u>22,877</u>
Represented by:			
Creditors: amounts falling due within one year			3,633
Creditors: amounts falling due after more than one year			19,244
			<u>22,877</u>

The bank loans are secured by fixed and floating charges on the assets of the group.

19. PROVISIONS FOR LIABILITIES AND CHARGES

Group	Surplus property costs £'000	Contract termination costs £'000	Total £'000
Acquired	2,282	7,955	10,237
Utilised during the period	(211)	(1,088)	(1,299)
Released to profit and loss account	-	(911)	(911)
	<u>2,071</u>	<u>5,956</u>	<u>8,027</u>
Balance at 31 December 1997			

NOTES TO THE ACCOUNTS

Period 26 July 1996 to 31 December 1997

20. DEFERRED TAXATION

The amounts of unprovided deferred taxation assets are as follows:

1997

£'000

Group

Capital allowances in excess of depreciation

443

Other provisions

2,754

3,197

Company

There are no significant unprovided deferred tax balances in the company accounts.

21. CALLED UP SHARE CAPITAL

Group and Company

1997

No.

£

Authorised:

'A' Ordinary shares of 1p each

25,000

250

'B' Ordinary shares of 1p each

225,000

2,250

Redeemable preference shares of 1p each

18,900,000

189,000

19,150,000

191,500

Called up, allotted and fully paid:

'A' Ordinary shares of 1p each

22,000

220

'B' Ordinary shares of 1p each

225,000

2,250

Redeemable preference shares of 1p each

18,873,000

188,730

19,120,000

191,200

Shares were allotted during the period in order to provide the company with its initial working capital and an adequate capital base.

The 'A' ordinary shares and redeemable preference shares of 1p each were issued at a premium of 99p per share.

The 'B' ordinary shares of 1p each were issued at a premium of 32.3p per share.

NOTES TO THE ACCOUNTS

Period 26 July 1996 to 31 December 1997

21. CALLED UP SHARE CAPITAL (continued)

Redeemable preference shares of 1p each

The holders of the redeemable preference shares of 1p each are entitled to a fixed cumulative preferential dividend at the annual rate of 8% based upon the nominal amount and premium paid.

The company will redeem a minimum of 3,000,000 but not more than 4,000,000 preference shares each six months on 30 June and 31 December in each year commencing on 30 June 2004.

On a winding up, the redeemable preference shareholders will receive priority over any payment to the holders of any other class of share.

Shareholders owning more than 10% of the preference shares are entitled to receive notice of and to attend and speak at the general meetings. Preference shareholders may not vote unless the preference dividend has not been paid within the prescribed time limit.

'A' and 'B' ordinary shares of 1p each

'A' and 'B' ordinary shares rank pari passu except as noted below.

Under certain conditions of a winding up, the 'B' ordinary shares may be redeemed for an aggregate of 1p to a maximum of 16,667 shares.

22. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

Group	Share capital £'000	Share premium £'000	Profit and loss account £'000	Goodwill reserve £'000	Total £'000
Issue of shares	191	18,797	-	-	18,988
Profit for the financial period	-	-	14,229	-	14,229
Dividends	-	-	(1,966)	-	(1,966)
Goodwill (note 13)	-	-	-	(77,847)	(77,847)
Balance at 31 December	191	18,797	12,263	(77,847)	(46,596)

NOTES TO THE ACCOUNTS

Period 26 July 1996 to 31 December 1997

22. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES (continued)

Company	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
Issue of shares	191	18,797	-	18,988
Profit for the financial period	-	-	2,057	2,057
Dividends	-	-	(1,966)	(1,966)
Balance at 31 December	191	18,797	91	19,079

23. LEASE COMMITMENTS

As at 31 December 1997 the group had the following commitments payable under non-cancellable operating leases expiring:

	Land and buildings £'000	Other £'000	Total £'000
Within one year	153	-	153
Between one and two years	3	-	3
Between two and five years	27	2	29
After five years	586	-	586
	769	2	771

24. CAPITAL COMMITMENTS

There are no outstanding commitments in respect of capital commitments for either the group or the company.

25. CONTINGENT LIABILITIES

The company has given performance guarantees in respect of its subsidiary undertakings in the normal course of business. The company is party to the group loan and overdraft facility which is secured by fixed and floating charges on the assets of the group. The amount outstanding under the group loan facility was £24 million.

The group overdraft facility is secured by fixed and floating charges on the assets of the group.

NOTES TO THE ACCOUNTS

Period 26 July 1996 to 31 December 1997

26. PENSION ARRANGEMENTS

The group pension scheme is of the defined-benefit type and is funded externally. The pension cost is assessed in accordance with the advice of an independent, professionally qualified actuary.

The scheme was established with effect from 1 October 1993. The latest actuarial assessment was carried out as at 1 January 1995, using the projected unit method. The main long-term assumptions were that the investment return would be 9% per annum, and the rate of investment return in excess of the rate of increases to RPI-linked pensions would be 4% per annum.

At the last actuarial valuation date the market value of the assets of the UK scheme was £14.2 million and this actuarial value was sufficient to cover 103% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The employer's contribution rate over the average remaining service lives of the members of the scheme takes account of the surplus disclosed by the valuation.

The pension cost charge for the period was £2,857,000. There were no amounts due to or from the scheme at the year end.

27. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1997 £'000
Operating profit	22,825
Depreciation of fixed assets	472
Increase in debtors	(18,341)
Increase in creditors	5,853
Decrease in provisions	(911)
Net cash inflow from operating activities	9,898

28. ANALYSIS OF CHANGES IN NET DEBT

	At 26 July 1996 £'000	Cash flow £'000	Other non cash changes	At 31 December 1997 £'000
Cash at bank and in hand	-	5,083	-	5,083
Debt due within one year	-	(3,059)	(574)	(3,633)
Debt due after more than one year	-	(19,244)	-	(19,244)
	-	(17,220)	(574)	(17,794)

NOTES TO THE ACCOUNTS

Period 26 July 1996 to 31 December 1997

29. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1997 £'000
Increase in cash in the period	5,083
Cash inflow from increase in debt	(22,303)
Change in net debt resulting from cash flows	(17,220)
Amortisation of issue costs	(574)
Movement in net debt in the period	(17,794)
Net debt at 31 December 1997	(17,794)

30. CASH FLOWS FROM ACQUIRED UNDERTAKINGS

The subsidiary undertakings acquired during the period contributed £11,142,000 of the group's net operating cash flows; contributed £1,275,000 of net returns on investments and servicing of finance; paid £8,139,000 of taxation; contributed £17,000 from capital expenditure and financial investment and paid £25,000 of net cash flow from acquisitions.

31. RELATED PARTY TRANSACTIONS AND CONTROLLING PARTY

CVC Capital Partners Limited, provided professional services to the company during the period amounting to £618,483 at an arms length basis. CVC Capital Partners Limited manages various investment funds which hold investments in Building & Property (Holdings) Limited.

Building & Property Limited, a subsidiary of Building & Property Group Limited has entered into a facilities provision contract during the year with Health Management (Carlisle) plc to manage and perform the maintenance and upkeep of hospital facilities and to provide other non-clinical services.

During the year the group received £2,210,593 from Health Management (Carlisle) plc for reimbursement of costs associated with the associated undertaking. £16,346 was paid to Health Management (Carlisle) plc for reimbursement of insurance premiums and other sundry costs paid on Building & Property's behalf. At the year end £41,947 was due from Health Management (Carlisle) plc.

32. POST BALANCE SHEET EVENTS

The group acquired 50% of the issued share capital of Newcastle Estate Partnership Holdings Limited on 8 January 1998, for £500,000.