



SYMONDS GROUP LIMITED

Report and Financial Statements

31 December 1998

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



REPORT AND FINANCIAL STATEMENTS 1998

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REPORT AND FINANCIAL STATEMENTS 1998

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

N M Biddle (Chairman)
C A Booy
A K Harden
B Saint-Andre
T J Piper
P Redfern
T Ferrett

SECRETARY

D France

REGISTERED OFFICE

37-41 Old Queen Street
London
SW1H 9JA

BANKERS

National Westminster Bank plc
City of London office
21 Lombard Street
London
EC3P 3AR

SOLICITORS

Morgan Bruce
Bradley Court
Park Place
Cardiff
CF1 3DP

AUDITORS

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

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

ACTIVITIES

The Group's principal activities during the year were project, cost, and facilities management and engineering consultancy.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The results for the year and the position at the year end are shown in the profit and loss account and balance sheet on pages 6 to 8. The Group's operations continue to be profitable, however significant investments have been made in securing major contracts which the directors believe will lead to future success.

Symonds Group Limited has branch operations in Saudi Arabia and the Philippines.

DIVIDENDS

The directors do not recommend payment of a dividend (1997 - £nil).

SHARE CAPITAL

During the year, the company gave notice by resolution to increase the registered capital by 9,990,000 new ordinary shares of £1 each, summarised in note 18 to the financial statements.

INVESTMENT DURING THE YEAR

Investments made during the year are summarised in note 10 to the financial statements.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year are set out below:

N M Biddle	(Chairman)
C A Booy	
L C Charles-Jones	(resigned 31 August 1999)
A K Harden	
J H Leighton	(resigned 13 October 1998)
T J Piper	
B Saint-Andre	
I A Sexton	(resigned 1 June 1999)
P Redfern	(appointed 1 January 1998)
T Ferrett	(appointed 1 January 1998)

None of the directors in office had any interests in the shares of the company, or any group company, at any time during the year.

EMPLOYEES

It is the Group's policy to ensure that equal opportunities are available to all, regardless of gender, marital status, ethnic origin or nationality. Full and fair consideration is given to applications for employment from disabled persons having regard to their particular aptitudes and abilities. Consideration will be given to employees of the Group who become disabled to continue in their employment or to be trained for other positions in the Group. It is also the Group's policy to consult with employees and their representatives in order to achieve the efficient execution and development of the Group's business.

DIRECTORS' REPORT

CREDITORS

It is the Group's normal practice to agree terms of transactions, including payment terms, with suppliers and provided suppliers perform in accordance with the agreed terms, it is the Group's policy that payment is made accordingly. Trade creditors for the Company and the Group at 31 December 1998 represented the equivalent of 22 days (1997 - 27 days) worth of supplier invoices based on amounts invoiced to the Company and the Group during the year.

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The group is well advanced in the phase of assessing the risks to our business resulting from the date change to the Year 2000.

A group-wide programme, designed to address the impact of the Year 2000 on our business, has been commissioned by the Board and is under way. Resources have been allocated and the Board receives regular reports on progress.

A significant risk analysis has been performed to determine the impact of the issue on all our activities. From this, prioritised action plans have been developed which are designed to address the key risks in advance of critical dates and without disruption to the underlying business processes. Priority is given to those systems which could cause a significant financial or legal impact on the company's business if they were to fail. The plan also includes a requirement for the testing of systems changes, involving the participation of users. The risk analysis also considers the impact on our business of the Year 2000 related failures by our significant suppliers and customers. In appropriate cases we have initiated formal communication with these parties.

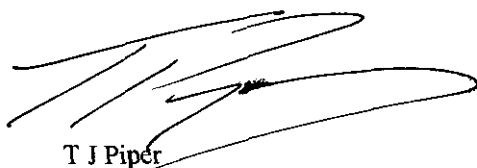
Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problem will remain, because at least some level of failure may still occur. However, the Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.

Much of the cost of implementing the action plans will be subsumed into recurring activities of the departments involved. The total cost of modifications to our computer hardware and software is not considered to be significant in the context of the scale of the company operations.

AUDITORS

Deloitte & Touche have expressed their willingness to continue as auditors and a resolution for their reappointment is to be proposed at the forthcoming Annual General Meeting.

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



T J Piper

Director

13th October 1999

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 the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 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 the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



AUDITORS' REPORT TO THE MEMBERS OF

SYMONDS GROUP LIMITED

We have audited the financial statements on pages 6 to 24 which have been prepared under the accounting policies set out on pages 9 and 10.

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 affairs of the company and the group at 31 December 1998 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and
Registered Auditors

28 October 1999


CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 1998

	Note	1998 £'000	1997 £'000
Turnover		67,412	70,661
Change in work in progress		(2,020)	3,014
Staff costs	2	(32,780)	(32,780)
Depreciation		(2,030)	(1,574)
Other operating charges		(32,264)	(39,088)
OPERATING (LOSS)/PROFIT	3	(1,682)	233
Share of profit of associated undertakings		704	-
TOTAL OPERATING (LOSS)/PROFIT		(978)	233
Loss on disposal of operations	4	(685)	-
(Loss)/profit before interest and taxation		(1,663)	233
Interest receivable and similar income	5	71	27
Interest payable and similar charges	6	(1,475)	(1,100)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,067)	(840)
Tax credit/(charge) on loss on ordinary activities	7	160	(83)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(2,907)	(923)
Equity minority interests		(134)	(72)
LOSS TRANSFERRED FROM RESERVES	19	(3,041)	(995)

All activities derive from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 1998

	1998 £'000	1997 £'000
Loss for the financial year	(3,041)	(995)
Foreign exchange translation differences	115	326
Total recognised gains and losses relating to the year	(2,926)	(669)


CONSOLIDATED BALANCE SHEET
31 December 1998

	Note	1998 £'000	1997 £'000
FIXED ASSETS			
Tangible assets	9	3,551	4,656
Investments	10	3,495	-
		<u>7,046</u>	<u>4,656</u>
Work in progress	12	3,147	6,120
Debtors: amounts due within one year	13	14,802	16,403
Debtors: amounts due after more than one year	14	3,316	-
		<u>21,265</u>	<u>22,523</u>
CREDITORS: amounts falling due within one year	15	<u>(11,823)</u>	<u>(16,557)</u>
NET CURRENT ASSETS		<u>9,442</u>	<u>5,966</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,488</u>	<u>10,622</u>
CREDITORS: amounts falling due after more than one year	16	(10,032)	(11,333)
PROVISIONS FOR LIABILITIES AND CHARGES	17	-	(41)
Equity minority interests		<u>(338)</u>	<u>(204)</u>
		<u>6,118</u>	<u>(956)</u>
CAPITAL AND RESERVES			
Called up share capital	18	10,000	-
Profit and loss account	19	<u>(3,882)</u>	<u>(956)</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS		<u>6,118</u>	<u>(956)</u>

These financial statements were approved by the Board of Directors on 17 October 1999.

Signed on behalf of the Board of Directors

T J Piper

Director


BALANCE SHEET
31 December 1998

	Note	£'000	1998 £'000	£'000	1997 £'000
FIXED ASSETS					
Tangible assets	9		2,837		3,852
Investments	10		14,384		11,948
			<u>17,221</u>		<u>15,800</u>
CURRENT ASSETS					
Work in progress	12	2,761		5,413	
Debtors: amounts due within one year	13	14,968		15,138	
Debtors: amounts due after more than one year	14	3,316		-	
		<u>21,045</u>		<u>20,551</u>	
CREDITORS: amounts falling due within one year	15	<u>(9,016)</u>		<u>(12,703)</u>	
NET CURRENT ASSETS			<u>12,029</u>		<u>7,848</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			29,250		23,648
CREDITORS: amounts falling due after more than one year	16		(13,832)		(15,137)
PROVISIONS FOR LIABILITIES AND CHARGES	17		-		(41)
			<u>15,418</u>		<u>8,470</u>
CAPITAL AND RESERVES					
Called up share capital	18		10,000		-
Profit and loss account	19		5,418		8,470
TOTAL EQUITY SHAREHOLDERS' FUNDS			<u>15,418</u>		<u>8,470</u>

These financial statements were approved by the Board of Directors on 13 October 1999.

Signed on behalf of the Board of Directors

T J Piper
Director

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

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

Basis of consolidation

The group financial statements consolidate the financial statements of the company and all subsidiaries for the financial year ended 31 December 1998.

Investments

Investments in subsidiaries are stated at cost less provision for any impairment in value.

Acquisitions and goodwill

Purchased goodwill arising on consolidation in respect of acquisitions before 1 January 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 and loss on disposal.

Purchased goodwill arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal instalments over its estimated useful life.

Fixed assets and depreciation

Depreciation is provided in equal annual instalments, in order to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives at the following rates:

Freehold property	2% per annum
Motor vehicles	25% per annum
Plant and equipment	25% per annum
Fixtures, fittings and equipment	10% - 15% per annum

Consultancy contracts

Profit on consultancy activities is taken as work progresses. The percentage margin on each individual contract is the lower of the margin earned to date, and that forecast at completion taking account of agreed claims. Full provision is made for all known or expected losses at completion, immediately such losses are forecast on each contract. Profit for the year may include settlement of claims arising on contracts completed in prior years.

Cash received on account of contracts is deducted from amounts recoverable on contracts. Such amounts which have been received and exceed amounts recoverable are included in creditors. Contract provisions in excess of amounts recoverable are included in provisions for liabilities and charges.

Long-term contracts

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Where the final outcome can be assessed, turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Full provision is made for losses on all contracts in the year in which they are first foreseen.

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

1. ACCOUNTING POLICIES (continued)

Long-term contracts (continued)

Long-term contract work-in-progress is stated at cost plus, where the outcome can be assessed with reasonable certainty, estimated profits attributable to the state of completion, less provision for any known or anticipated losses and progress payments receivable on account. Advance payments and deposits are included in creditors.

Capitalisation of bid costs

Costs incurred in the preparation of bids for, and the subsequent development of large scale facilities management projects are capitalised where management is satisfied that these costs have been separately identified and accurately recorded. The capitalised costs are then fully provided for until the outcome of each bid is known. Where the bid is successful, the provision is released, providing the profitability of the contract can be reasonably forecast, and the capitalised cost amortised over a period of ten years. Where the bid fails or the contract ceases to be profitable, the costs are immediately written off.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in years 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.

Assets held under hire purchase contracts and operating leases

Fixed assets held under hire purchase contracts are capitalised and depreciated over their expected useful lives. The finance charges are allocated over the contract period in proportion to the capital element outstanding. Rentals payable under operating leases are charged to the profit and loss account as incurred.

Turnover

Turnover is the amount derived from the provision of services during the accounting year representing the net amount invoiced as adjusted for accrued and deferred income.

Foreign currency transactions

Transactions of UK companies denominated in foreign currencies are translated into sterling at the rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

The accounts of overseas subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves.

Pension costs

The expected costs of providing pensions under the defined benefit scheme, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the costs over the service lives of employees in the schemes operated within the Group in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll. Contributions to defined contribution schemes are charged to the profit and loss account on a payment basis.


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1998 £'000	1997 £'000
Directors' emoluments		
Total directors' emoluments (excluding pension contributions)	724	756
Contributions to money purchase pension scheme	36	42
	No.	No.
Number of directors who are members of the money purchase pension scheme	8	6
	£'000	£'000
Emoluments of highest paid director (excluding pension contributions)	136	153
Average number of persons employed	No.	No.
Technical	880	867
Administration	311	315
	1,191	1,182
	£'000	£'000
Staff costs during the year		
Wages and salaries	29,677	29,386
Social security costs	2,343	2,534
Pension costs	760	860
	32,780	32,780

3. OPERATING (LOSS)/PROFIT

	1998 £'000	1997 £'000
Operating (loss)/profit is after charging:		
Auditors' remuneration:		
Audit fees	94	56
Non-audit fees	22	67
Depreciation of tangible fixed assets		
Owned	1,947	1,545
Hire purchase contracts	83	29
Rentals under operating leases:		
Plant and machinery	-	4
Other operating leases	1,636	1,411
Land and buildings	1,319	1,020


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
4. LOSS ON DISPOSAL OF DISCONTINUED OPERATIONS

	1998 £'000
Loss on sale of the Environmental Engineering operations	(357)
Provision for loss on sale of Novo Architects Limited	(261)
Loss on sale of Abros Enterprise Limited	(67)
	<u>(685)</u>

45% of the ordinary shares of Abros Enterprise Limited were disposed of on 30 June 1998. The cash effect of the sale is detailed in note 11.

On 7 December 1998 the business and assets of the Group's Environmental Engineering operations were disposed of for cash consideration of £177,539.

The provision for loss on sale of Novo Architects Limited relates to the anticipated loss on that sale, which took place on 28 February 1999.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	1998 £'000	1997 £'000
Bank interest receivable	25	27
Share of associate	46	-
	<u>71</u>	<u>27</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £'000	1997 £'000
Bank loans and overdrafts	152	189
Finance charges in respect of hire purchase contracts	-	5
Intra group interest	1,323	906
	<u>1,475</u>	<u>1,100</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
7. TAX CREDIT/(CHARGE) ON LOSS ON ORDINARY ACTIVITIES

	1998 £'000	1997 £'000
United Kingdom corporation tax at 31% (1997 - 31.5%)	386	(121)
Tax on overseas subsidiaries	(314)	44
Deferred taxation	8	(6)
Associated companies	3	-
Adjustment in respect of prior years	77	-
	<u>160</u>	<u>(83)</u>

The tax credit is low owing to expenditure not allowable for tax purposes and to movements in deferred tax, which is not provided for. The 1997 tax charge arises as relief is not available for losses in overseas subsidiaries.

8. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act, the profit and loss of the parent company is not presented as part of these accounts. The parent company's loss for the financial year amounted to £3,188,000 (1997 loss - £1,136,000).

9. TANGIBLE FIXED ASSETS

The Group	Freehold property £'000	Motor vehicles £'000	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 1 January 1998	130	1,321	5,834	1,110	8,395
Additions	-	23	964	114	1,101
Disposals	-	(679)	(37)	(206)	(922)
Exchange difference	-	(5)	(23)	(10)	(38)
At 31 December 1998	<u>130</u>	<u>660</u>	<u>6,738</u>	<u>1,008</u>	<u>8,536</u>
Accumulated depreciation					
At 1 January 1998	8	761	2,682	288	3,739
Charge for the year	2	255	1,408	365	2,030
Disposals	-	(558)	(32)	(179)	(769)
Exchange difference	-	(2)	(8)	(5)	(15)
At 31 December 1998	<u>10</u>	<u>456</u>	<u>4,050</u>	<u>469</u>	<u>4,985</u>
Net book value					
At 31 December 1998	<u>120</u>	<u>204</u>	<u>2,688</u>	<u>539</u>	<u>3,551</u>
At 31 December 1997	<u>122</u>	<u>560</u>	<u>3,152</u>	<u>822</u>	<u>4,656</u>

The net book value of motor vehicles includes an amount of £nil (31 December 1997 - £25,096) in respect of assets held under hire purchase contracts.


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
9. TANGIBLE FIXED ASSETS (continued)

The Company	Motor vehicles £'000	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 1998	1,127	4,970	1,110	7,207
Additions	-	830	98	928
Disposals	(679)	(2)	(165)	(846)
Exchange difference	(2)	(1)	(2)	(5)
At 31 December 1998	<u>446</u>	<u>5,797</u>	<u>1,041</u>	<u>7,284</u>
Accumulated depreciation				
At 1 January 1998	699	2,367	289	3,355
Charge for year	220	1,277	320	1,817
Disposals	(558)	-	(164)	(722)
Exchange difference	-	(1)	(2)	(3)
At 31 December 1998	<u>361</u>	<u>3,643</u>	<u>443</u>	<u>4,447</u>
Net book value				
At 31 December 1998	<u>85</u>	<u>2,154</u>	<u>598</u>	<u>2,837</u>
At 31 December 1997	<u>428</u>	<u>2,603</u>	<u>821</u>	<u>3,852</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
10. INVESTMENTS HELD AS FIXED ASSETS

	The Group £'000
Investments in associated undertakings	
Cost	
At 1 January 1998	-
Acquisition of Trillium Facilities Management Limited	2,686
Transfer of Abros Enterprise Limited	45
	<hr/>
At 31 December 1998	2,731
	<hr/>
Share of reserves in associated undertakings	
At 1 January 1998	-
Share of retained profits	747
Transfer of Abros Enterprise Limited	17
	<hr/>
At 31 December 1998	764
	<hr/>
Total investments:	
31 December 1998	3,495
	<hr/>
31 December 1997	-
	<hr/>
	The Company £'000
Investments in subsidiary undertakings	
At 1 January 1998	11,948
Transfer of Abros Enterprise Limited	(70)
Provision for disposal of Novo Architects Limited	(225)
	<hr/>
At 31 December 1998	11,653
	<hr/>
Investments in associated undertakings	
At 1 January 1998	-
Acquisition of Trillium Facilities Management Limited	2,686
Transfer of Abros Enterprise Limited	45
	<hr/>
At 31 December 1998	2,731
	<hr/>
Total investments:	
31 December 1998	14,384
	<hr/>
31 December 1997	11,948
	<hr/>


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
10. INVESTMENTS HELD AS FIXED ASSETS (continued)

The aggregate amount of capital and reserves in the latest accounts of Trillium Facilities Management Ltd is £(1,603,000). The net liabilities of Trillium Facilities Management have been subject to an adjustment in respect of capitalisation of development costs, in order to bring the associates accounting policy into line with those of the Group as set out in note 1. The Group's share of set up costs written off in the books of Trillium Facilities Management of £8,766,000 have been capitalised in the fixed assets shown below and are being amortised over 10 years.

**Share of Balance Sheets of Associates
(after adjustments)**

	Trillium Facilities Management £'000	Abros Enterprise £'000	Total £'000
Assets:			
Fixed assets	6,025	4	6,029
Current Assets	5,527	85	5,612
	<hr/> 11,552	<hr/> 89	<hr/> 11,641
Liabilities:			
Due within one year	(4,074)	(18)	(4,092)
Due after one year	(4,290)	-	(4,290)
	<hr/> 3,188	<hr/> 71	<hr/> 3,259
Share of net assets at 31 December 1998			

**Share of Profit and Loss Accounts of Associates
(after adjustments)**

	Trillium Facilities Management £'000	Abros Enterprise £'000	Total £'000
Turnover	<hr/> 8,628	<hr/> 51	<hr/> 8,679
Profit before tax	738	12	750
Taxation	-	(3)	(3)
	<hr/> 738	<hr/> 9	<hr/> 747
Profit after tax			


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
10. INVESTMENTS HELD AS FIXED ASSETS (continued)

The Group acquired 49% of the ordinary shares of Trillium Facilities Management Limited, a company incorporated in the UK on 1 April 1998. A part of the Group's holding in Abros Enterprise Limited, consisting of 45% of the ordinary shares was disposed of on 30 June 1998. In addition, £21,000 of the cumulative redeemable preference shares held have been redeemed during the year. The remaining investment consisting of 25% of the ordinary shares and £42,000 of the preference shares was transferred to investment in associated undertakings. The cash effect of the sale is detailed in note 11.

The Group's associated undertakings as at 31 December 1998 were as follows:

	Principal activity	Percentage held of share capital and voting rights	Details of holding of share capital	Country of incorporation
* Abros Enterprise Limited	Financial consultants	25%		England and Wales
* Trillium Facilities Management Limited	Facilities management	49%	£1 ordinary shares	England and Wales

The company owns the following subsidiaries:

	Principal activity	Percentage held of share capital and voting rights	Details of holding of share capital	Country of incorporation
* Symonds Limited	Project and cost management	100%	164,127 10p ordinary shares	Jersey
* Symonds Group Inc.	Project and cost management	100%	100 US\$0.1 ordinary shares	USA
* Symonds Facilities Management plc	Facilities management	100%	12,500 £1 ordinary shares	England and Wales
* Symonds Travers Morgan Limited	Engineering Consultancy	100%	2,000 £1 ordinary shares	England and Wales
* Symonds International Limited	Engineering Consultancy	100%	2 £1 ordinary shares	England and Wales
Symonds Pty Ltd	Engineering Consultancy	100%	3,001,586 A\$1 ordinary shares	Australia
Symonds Travers Morgan (Malaysia) Sdn Bhd	Engineering Consultancy	100%	250,000 RM1 ordinary shares	Malaysia
Symonds Travers Morgan (Hong Kong) Ltd	Engineering Consultancy	100%	1,000 HK\$10.00 ordinary shares	Hong Kong
Symonds Travers Morgan (NZ) Ltd	Engineering Consultancy	100%	5,000 NZ\$1 ordinary shares	New Zealand
Charter Services Limited	Facilities management	100%	2 £1 ordinary shares	England and Wales
Test Cell Limited	Project and cost management	100%	400,000 £1 ordinary shares	England and Wales
* Symonds Woolf Ltd	Construction Management	75%	1,000 £1 ordinary shares	England and Wales
* Novo Architects Ltd	Architects	75.1%	50,000 £1 ordinary shares and 250,000 £1 cumulative redeemable preference shares	England and Wales

The directors are of the opinion that the aggregate value of the investment in subsidiaries is not less than the amount at which they are stated in the company's accounts.

* Shares held by the Company; all other shares are held by subsidiary undertakings.


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
11. DISPOSAL OF SUBSIDIARY UNDERTAKINGS

	Aeros Enterprise Limited £'000	Environ- mental Engineering £'000	Total £'000
Fixed Assets	11	115	126
Stock	-	207	207
Debtors	119	213	332
Cash	139	-	139
	<hr/>	<hr/>	<hr/>
	269	535	804
Creditors	(67)	-	(67)
Taxation	(42)	-	(42)
	<hr/>	<hr/>	<hr/>
	160	535	695
Sold 45% of ordinary shares and 23% of preference shares	72	-	72
Sold 100% of operations	-	535	535
Loss on disposal	(67)	(357)	(424)
	<hr/>	<hr/>	<hr/>
	5	178	183
	<hr/>	<hr/>	<hr/>
Satisfied by:			
Cash consideration	5	178	183
	<hr/>	<hr/>	<hr/>

In addition a provision of £261,000 has been made against the disposal of Novo Architects Limited, a subsidiary undertaking of Symonds Group Limited, which was disposed of on 28 February 1999.


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
12. WORK IN PROGRESS

	The Group		The Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Long term and consultancy contract balances	3,147	6,120	2,761	5,413

13. DEBTORS - AMOUNTS DUE WITHIN ONE YEAR

	The Group		The Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Trade debtors	12,897	14,653	10,161	12,477
Amounts owed by other group companies	195	41	196	41
Amounts owed by subsidiaries	-	-	1,396	1,451
Other debtors and prepayments	1,710	1,709	3,215	1,169
	14,802	16,403	14,968	15,138

14. DEBTORS - AMOUNTS DUE AFTER MORE THAN ONE YEAR

	The Group		The Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Amounts owed by associated undertakings	3,316	-	3,316	-


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Bank loans	1,917	2,167	-	108
Bank overdraft	2,588	3,762	3,185	4,187
Obligations under hire purchase contracts	8	9	-	-
Trade creditors	944	3,107	388	2,628
Amounts owed to other group companies	553	981	553	981
Amounts owed to subsidiaries	-	-	1,006	-
Other creditors and accruals	5,008	5,539	3,142	4,095
Corporation tax	43	243	43	3
Other taxation and social security	762	749	699	701
	<u>11,823</u>	<u>16,557</u>	<u>9,016</u>	<u>12,703</u>

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

	The Group		The Company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Obligations under hire purchase contracts between one and two years	32	28	-	-
Amounts owed to parent company	10,000	11,305	10,000	11,305
Amounts owed to subsidiaries	-	-	3,832	3,832
	<u>10,032</u>	<u>11,333</u>	<u>13,832</u>	<u>15,137</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
17. PROVISIONS FOR LIABILITIES AND CHARGES

The Group	Contract loss provisions £'000	Deferred taxation £'000	Total £'000
At 1 January 1998	33	8	41
Profit and loss account (credit)/charge	(33)	(8)	(41)
At 31 December 1998	-	-	-
<hr/>			
The Company	Contract loss provisions £'000	Deferred taxation £'000	Total £'000
At 1 January 1998	33	8	41
Profit and loss account credit	(33)	(8)	(41)
At 31 December 1998	-	-	-

The amounts of deferred taxation provided and unprovided in the accounts are as follows:

The Group	Provided 1998 £'000	Provided 1997 £'000	Not provided 1998 £'000	Not provided 1997 £'000
Capital allowances in excess of depreciation	-	-	(180)	-
Other timing differences	-	8	(210)	-
At 31 December 1998	-	-	(390)	-
<hr/>				
The Company	Provided 1998 £'000	Provided 1997 £'000	Not provided 1998 £'000	Not provided 1997 £'000
Capital allowances in excess of depreciation	-	-	(168)	-
Other timing differences	-	8	(55)	-
At 31 December 1998	-	-	(223)	-


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
18. CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised:		
Ordinary shares of £1 each	10,000,000	10,000
Called up, allotted and fully paid:		
Ordinary shares of £1 each	10,000,000	2

On 22 December 1998 the company gave notice by resolution in accordance with The Companies Act 1985, section 123 that the nominal share capital of the company has been increased by £9,990,000 beyond the registered share capital of £10,000.

The consideration for which the 9,999,998 ordinary shares of £1 each were allotted, was by the reduction of a parent company loan.

**19. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND
MOVEMENTS IN RESERVES**

The Group	Share capital £'000	Profit and loss account £'000	1998 Total £'000	1997 Total £'000
At the beginning of the year	-	(956)	(956)	(287)
Loss for the financial year	-	(3,041)	(3,041)	(995)
Share issue	10,000	-	10,000	-
Exchange differences on retranslation	-	115	115	326
At the end of the year	10,000	(3,882)	6,118	(956)


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
19. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND MOVEMENTS IN RESERVES (continued)

The Company	Share capital £'000	Profit and loss account £'000	1998 Total £'000	1997 Total £'000
At the beginning of the year	-	8,470	8,470	9,744
Loss for the financial year	-	(3,188)	(3,188)	(1,136)
Exchange rate differences	-	136	136	(138)
Share issue	10,000	-	10,000	-
At the end of the year	10,000	5,418	15,418	8,470

The cumulative goodwill written off at 31 December 1998 is £11,620,000 (1997 - £11,620,000).

20. LEASE COMMITMENTS

At 31 December 1998 the group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 1998 £'000	Other 1998 £'000	Land and buildings 1997 £'000	Other 1997 £'000
Leases which expire:				
Within one year	3	157	80	94
Within two to five years	463	1,081	219	1,131
After more than five years	530	-	784	-
	996	1,238	1,083	1,225

Bank guarantees

The Group has entered into a cash management agreement with its ultimate UK parent undertaking, Dalkia plc and fellow subsidiary undertakings to allow for cash concentration of the group. A cross guarantee exists between all parties to the agreement whereby each company has guaranteed the bank current accounts of the others. Dalkia plc has an unsecured overdraft facility of £5 million.

21. PENSION COMMITMENTS

The company participates in both the Dalkia plc defined benefit pension scheme and money purchase scheme. Contributions to the defined benefit scheme are based on group pension costs. Payments of £760,000 (1997 - £860,000) were made into group schemes and £nil (1997 - £nil) was outstanding at the year end. Further details can be obtained in the financial statements of Dalkia plc.

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

22. RELATED PARTY TRANSACTIONS

In 1998 Symonds held a 49% stake in Trillium Facilities Management and a 75% stake in Symonds Woolf Limited. Transactions with these related parties are as follows:

	1998 £'000	1997 £'000
Turnover	800	525
Purchases	3,549	9,443
At the financial year end amounts owed to: parent undertaking	<u>122</u>	<u>208</u>
At the financial year end amounts owed by: parent undertaking	<u>1,534</u>	<u>1,455</u>

The Group has taken advantage of the exemption available under Financial Reporting Standard 8 not to disclose related party transactions with other group undertakings as it is a wholly owned subsidiary undertaking.

23. ULTIMATE PARENT COMPANY

At 31 December 1998 the ultimate parent and controlling party was Vivendi, a company incorporated in France. Copies of its financial statements may be obtained from 42, Avenue de Friedland, 75380 Paris Cédex 08, France. The smallest group of which the company is a member and for which group accounts were prepared is Dalkia plc, which is incorporated in Great Britain and registered in England and Wales. Copies of its financial statements may be obtained from 37-41 Old Queen Street, London, SW1H 9JA.

The group is exempt under Financial Reporting Standard 8 paragraph 3 (c) from disclosing transactions with other entities of the group owned by Vivendi.

24. POST BALANCE SHEET EVENT

On 22 September 1999 all the shares in Trillium Facilities Management Limited were sold for consideration of £17,260,000.