

Company Registration No. 1680058 (England and Wales)

FOXTONS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003



FOXTONS LIMITED

COMPANY INFORMATION

Directors	J M Hunt P J L Rollings
Secretary	R Gipson
Company number	1680058
Registered office	Building One Chiswick Business Park London W4 5BE
Auditors	Rothman Pantall & Co Clareville House 26/27 Oxendon Street London SW1Y 4EP
Business address	Building One Chiswick Business Park London W4 5BE
Bankers	Bank of Scotland Telford House, 3 Mid New Cultins Edinburgh EH11 4DH
Solicitors	Mishcon de Reya 21 Southampton Row London WC1B 5HS

FOXTONS LIMITED

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FOXTONS LIMITED - CHAIRMAN'S STATEMENT
Year Ended 31st December 2003

Jon M. Hunt – Chairman/CEO

Foxtons London

Despite a tough Sales market in the first half of 2003 Foxtons London still achieved overall growth for the year of 6% in turnover with profit before tax of £8.7m and a margin of 19%. Our lettings business maintained its high growth rate of 28% versus prior year.

Foxtons 4 new Offices which opened during 2002 (Balham, Ealing, Richmond, Wimbledon) have started to generate significant returns to repay the major investments we have made in them. Further sites were acquired in 2003 allowing Foxtons to open 3 new offices in 2004, namely Sloane Square, Muswell Hill and Shoreditch. Further high profile sites are under negotiation. We have the aim of opening up to 25 offices in Central London with an average of 40 sales and lettings negotiators in each, all supported centrally by our 40,000 sq ft, 600 seat, West London contact centre.

Foxtons Home Counties

Significant effort was undertaken in 2003 to establish Foxtons Home Counties for a launch date of March 2004. Foxtons is now up and running and has achieved significant market share in Addlestone, Godalming, The Horsleys, Byfleet, Guildford, The Moleseys, Chobham, Haslemere, Walton-on Thames, Cobham, Knaphill, Cranleigh, Oxshott, Weybridge, Esher, Thames Ditton and Woking. Further expansion into the Home Counties is planned.

FOXTONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

The directors present their report and financial statements for the year ended 31 December 2003.

Principal activities and review of the business

The principal activity of the company continued to be that of estate and lettings agents.

Results and dividends

The results for the year are set out on page 4.

An ordinary dividend of £Nil has been paid during the year (2002 - £437,317).

Directors

The following directors have held office since 1 January 2003:

J M Hunt
P J L Rollings

Directors' interests

The directors' interests in the shares of the company, including spouse's interest as required by the Companies Act, were as stated below:

	Ordinary shares of £ 1 each	
	31 December 2003	1 January 2003
J M Hunt	-	-
P J L Rollings	-	-

The interests of J M Hunt in the issued shares of the holding company, Heven Holdings Limited, are shown in the accounts of that company.

Employees

It is the company'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 company who become disabled, to continue in their employment or to be trained for other positions in the group. It is also the company's policy to periodically update employees regarding the development of the company's business.

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Rothman Pantall & Co be reappointed as auditors of the company will be put to the Annual General Meeting.

FOXTONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

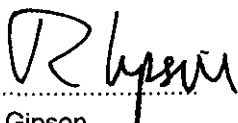
Directors' responsibilities

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:

- 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, subject to any material departures disclosed and explained in the financial statements;
- 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. 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.

By order of the board



R Gipson

Secretary

19/1/05

FOXTONS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FOXTONS LIMITED

We have audited the financial statements of Foxtons Limited on pages 4 to 16 for the year ended 31 December 2003. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

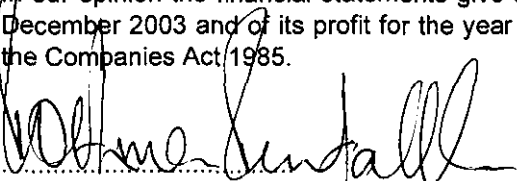
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Rothman Pantall & Co
Chartered Accountants & Registered Auditors
Clareville House
26/27 Oxendon Street
London SW1Y 4EP

19 January 2005

FOXTONS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £	2002 £
Turnover	2	46,880,865	44,203,208
Administrative expenses		(38,537,074)	(36,074,531)
Operating profit	3	8,343,791	8,128,677
Other interest receivable and similar income		621,300	485,600
Interest payable and similar charges	4	(229,894)	(56,669)
Profit on ordinary activities before taxation		8,735,197	8,557,608
Tax on profit on ordinary activities	5	(2,765,939)	(2,662,830)
Profit on ordinary activities after taxation		5,969,258	5,894,778
Dividends	6	-	(437,317)
Retained profit for the year	15	5,969,258	5,457,461

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

The Note of historical cost profits and losses has not been included in these financial statements as there is no material difference between the reported profit shown in the profit and loss account and the profit for the relevant years restated on an historical cost basis.

FOXTONS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2003

	Notes	2003		2002	
		£	£	£	£
Fixed assets					
Intangible assets	7		330,000		450,000
Tangible assets	8		10,455,866		9,525,835
Investments	9		5,000		5,000
			<u>10,790,866</u>		<u>9,980,835</u>
Current assets					
Debtors: amounts falling due within one year	10	14,207,098		9,483,850	
Debtors: amounts falling due after more than one year	10	7,419,814		8,897,280	
Cash at bank and in hand		2,055,796		770,985	
		<u>23,682,708</u>		<u>19,152,115</u>	
Creditors: amounts falling due within one year	11	(13,669,742)		(14,274,773)	
Net current assets			<u>10,012,966</u>		<u>4,877,342</u>
Total assets less current liabilities			<u>20,803,832</u>		<u>14,858,177</u>
Creditors: amounts falling due after more than one year	12		(188,492)		(212,095)
Provisions for liabilities and charges	13		(59,713)		(59,713)
			<u>20,555,627</u>		<u>14,586,369</u>
Capital and reserves					
Called up share capital	14		10,000		10,000
Revaluation reserve	15		104,824		104,824
Profit and loss account	15		20,440,803		14,471,545
Shareholders' funds - equity interests	16		<u>20,555,627</u>		<u>14,586,369</u>

The financial statements were approved by the Board on 19/1/05


J. M. Hunt
Director

FOXTONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life. Currently goodwill is being written off over 10 years.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Short-term leasehold property	Over the term of the lease.
Fixtures, fittings & equipment	20% - 25% straight line
Motor vehicles	25% straight line

1.6 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.7 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.8 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

FOXTONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

3	Operating profit	2003	2002
		£	£
	Operating profit is stated after charging:		
	Amortisation of intangible assets	120,000	120,000
	Depreciation of tangible assets	2,193,453	2,106,064
	Operating lease rentals	3,856,297	3,072,434
	Auditors' remuneration	19,000	19,148
	Remuneration of auditors for non-audit work	47,843	59,266
	and after crediting:		
	Profit on disposal of tangible assets	(422,433)	(264,488)
		<u> </u>	<u> </u>
4	Interest payable	2003	2002
		£	£
	On bank loans and overdrafts	424	74,838
	Hire purchase interest	26,906	75,883
	On overdue tax	199,822	(101,618)
	Other interest	2,742	7,566
		<u> </u>	<u> </u>
		229,894	56,669
		<u> </u>	<u> </u>

FOXTONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

5	Taxation	2003	2002
		£	£
	Domestic current year tax		
	U.K. corporation tax	2,781,564	2,667,293
	Adjustment for prior years	(15,625)	101,399
	Payment in respect of group relief	348,872	287,526
	Receipt in respect of group relief	(348,872)	(374,465)
		<u>2,765,939</u>	<u>2,681,753</u>
	Current tax charge		
		2,765,939	2,681,753
	Deferred tax		
	Deferred tax charge/credit current year	-	(18,923)
		<u>2,765,939</u>	<u>2,662,830</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	8,735,197	8,557,608
		<u>8,735,197</u>	<u>8,557,608</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2002: 30.00%)	2,620,559	2,567,282
		<u>2,620,559</u>	<u>2,567,282</u>
	Effects of:		
	Non deductible expenses	81,769	3,739
	Depreciation add back	694,036	667,820
	Capital allowances	(488,070)	(492,202)
	Adjustments to previous periods	(15,625)	101,399
	Chargeable disposals	(126,730)	(79,346)
	Payment in respect of group relief	348,872	287,526
	Receipt in respect of group relief	(348,872)	(374,465)
		<u>145,380</u>	<u>114,471</u>
	Current tax charge	2,765,939	2,681,753
		<u>2,765,939</u>	<u>2,681,753</u>
6	Dividends	2003	2002
		£	£
	Ordinary interim paid	-	437,317
		<u>-</u>	<u>437,317</u>

FOXTONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

7 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2003 & at 31 December 2003	1,200,000
Amortisation	
At 1 January 2003	750,000
Charge for the year	120,000
At 31 December 2003	870,000
Net book value	
At 31 December 2003	330,000
At 31 December 2002	450,000

FOXTONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

8 Tangible fixed assets

	Short-term leasehold property £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2003	4,876,054	7,219,460	3,514,454	15,609,968
Reanalysis of assets	(138,628)	117,796	-	(20,832)
Additions	1,400,127	1,828,080	436,116	3,664,323
Disposals	-	(305,264)	(1,792,149)	(2,097,413)
At 31 December 2003	6,137,553	8,860,072	2,158,421	17,156,046
Depreciation				
At 1 January 2003	892,579	3,057,165	2,134,389	6,084,133
On disposals	-	(165,234)	(1,412,172)	(1,577,406)
Charge for the year	245,877	1,400,362	547,214	2,193,453
At 31 December 2003	1,138,456	4,292,293	1,269,431	6,700,180
Net book value				
At 31 December 2003	4,999,097	4,567,779	888,990	10,455,866
At 31 December 2002	3,983,475	4,162,295	1,380,065	9,525,835

Comparable historical cost for the land and buildings included at valuation:

	£
Cost	
At 1 January 2003 & at 31 December 2003	105,176
Depreciation based on cost	
At 1 January 2003	92,975
Charge for the year	5,259
At 31 December 2003	98,234
Net book value	
At 31 December 2003	6,942
At 31 December 2002	9,201

FOXTONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

8 Tangible fixed assets

Included above are assets held under finance leases or hire purchase contracts as follows:

	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Net book values			
At 31 December 2003	88,407	148,958	237,365
At 31 December 2002	248,551	656,098	904,649
Depreciation charge for the year			
31 December 2003	55,644	45,977	101,621
31 December 2002	70,837	391,837	462,674

9 Fixed asset investments

	Unlisted investments £
Cost or valuation	
At 1 January 2003 & at 31 December 2003	5,000

FOXTONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

10 Debtors	2003 £	2002 £
Trade debtors	5,655,898	4,284,959
Amounts owed by parent and fellow subsidiary undertakings	12,719,847	11,311,974
Other debtors	2,333,014	2,065,037
Prepayments and accrued income	918,153	719,160
	<u>21,626,912</u>	<u>18,381,130</u>

Amounts falling due after more than one year and included in the debtors above are:

	2003 £	2002 £
Amounts owed by group undertakings	<u>7,419,814</u>	<u>8,897,280</u>

11 Creditors: amounts falling due within one year	2003 £	2002 £
Bank loans and overdrafts	8,126	-
Net obligations under hire purchase contracts	120,721	282,096
Trade creditors	2,274,645	2,812,305
Amounts owed to parent and fellow subsidiary undertakings	33,801	-
Corporation tax	4,710,031	4,714,613
Other taxes and social security costs	1,345,218	1,434,460
Other creditors	419,436	645,373
Accruals and deferred income	4,757,764	4,385,926
	<u>13,669,742</u>	<u>14,274,773</u>

The bank overdraft is secured by a fixed and floating charge over the assets and undertakings of the company.

FOXTONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

12 Creditors: amounts falling due after more than one year	2003	2002
	£	£
Net obligations under hire purchase contracts	188,492	212,095
	<u> </u>	<u> </u>
Net obligations under hire purchase contracts		
Repayable within one year	120,721	282,096
Repayable between one and five years	188,492	212,095
	<u> </u>	<u> </u>
	309,213	494,191
Included in liabilities falling due within one year	(120,721)	(282,096)
	<u> </u>	<u> </u>
	188,492	212,095
	<u> </u>	<u> </u>
13 Provisions for liabilities and charges		
		Deferred tax liability
		£
Balance at 1 January 2003 & at 31 December 2003		59,713
		<u> </u>
The deferred tax liability is made up as follows:		
	2003	2002
	£	£
Accelerated capital allowances	59,713	59,713
	<u> </u>	<u> </u>
14 Share capital	2003	2002
	£	£
Authorised		
50,000 Ordinary shares of £1 each	50,000	50,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
10,000 Ordinary shares of £1 each	10,000	10,000
	<u> </u>	<u> </u>

FOXTONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

15 Statement of movements on reserves

	Revaluation reserve £	Profit and loss account £
Balance at 1 January 2003	104,824	14,471,545
Retained profit for the year	-	5,969,258
Balance at 31 December 2003	104,824	20,440,803

16 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the financial year	5,969,258	5,894,778
Dividends	-	(437,317)
Net addition to shareholders' funds	5,969,258	5,457,461
Opening shareholders' funds	14,586,369	9,128,908
Closing shareholders' funds	20,555,627	14,586,369

17 Contingent liabilities

At the year end the company had given a guarantee in respect of the bank borrowings of its ultimate parent undertaking. At 31 December 2003 these borrowings amounted to £27,357,390 (2002 - £22,408,328).

The company also has a guarantee in respect of the bank borrowings of its fellow subsidiary company, Alexander Hall Associates Limited. At 31 December 2003 these borrowings amounted to £473,782.

18 Financial commitments

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2003 £	2002 £	2003 £	2002 £
Expiry date:				
Within one year	-	-	72,507	-
Between two and five years	-	-	1,144,306	930,958
In over five years	2,545,786	2,545,786	-	-
	2,545,786	2,545,786	1,216,813	930,958

FOXTONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

19 Capital commitments	2003	2002
	£	£

At 31 December 2003 the company had capital commitments as follows:

Contracted for but not provided in the financial statements	467,067	1,382,000
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Amounts committed to at the year end included £467,067 (2002: £1,238,000) of branch refurbishment costs and £Nil (2002: £144,000) of IT expenditure.

20 Directors' emoluments	2003	2002
	£	£

Emoluments for qualifying services	256,127	456,716
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Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	256,127	272,682
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21 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

2003	2002
Number	Number
553	484

Employment costs

	£	£
Wages and salaries	19,865,713	17,373,521
Social security costs	2,148,756	1,844,811
	22,014,469	19,218,332

22 Control

The ultimate parent company is Heven Holdings Limited, a company registered in England and Wales. The ultimate controlling party is Mr J M Hunt, a director.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003**

23 Related party transactions

During the year the company made transactions with related parties as follows:

The company has provided loan finance at arms length for Triostrike Limited, a company owned by J M Hunt, and at the year end an amount of £2,076,614 (2002 - £1,312,046) was due to the company. This funding was provided in order for Triostrike Limited to finance the purchase and refurbishment of freehold property in Fulham.

No disclosure has been made in these financial statements of transactions with entities that are part of the group or investees of the group qualifying as related parties, as consolidated financial statements including Foxtons Limited are publicly available. All of the voting rights of Foxtons Limited are controlled within the group.