

FRP GROUP PLC
ANNUAL REPORT
FOR THE YEAR ENDED 30 NOVEMBER 2001



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FRP GROUP PLC

DIRECTORS AND ADVISERS

| | |
|---------------------|--|
| Directors | D.N. Fell R.W. Devlin S.F. Ronaldson C.L. Powell |
| Secretary | S.F. Ronaldson |
| Company number | 2844685 |
| Registered office | Audrey House 16/20 Ely Place London EC1N 6SN |
| Registered auditors | Beavis Walker Audrey House 16/20 Ely Place London EC1N 6SN |
| Bankers | Allied Irish Bank (GB) 10 Berkeley Square London W1J 6AA |
| Solicitors | Ronaldsons 55 Gower Street London WC1E 6HQ |

FRP GROUP PLC

CONTENTS

| | Page |
|---|---------|
| Directors' report | 1 - 3 |
| Auditors' report | 4 |
| Consolidated profit and loss account | 5 |
| Statement of recognised gains and losses | 6 |
| Note of historical cost profits and losses | 6 |
| Balance sheets | 7 |
| Consolidated cash flow statement | 8 |
| Notes to the consolidated cash flow statement | 9 |
| Notes to the financial statements | 10 - 24 |

FRP GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 30 NOVEMBER 2001

The directors present their report and financial statements for the year ended 30 November 2001.

Directors

The following directors have held office since 1 December 2000:

D.N. Fell
R.W. Devlin
S.F. Ronaldson
C.L. Powell

Principal activities and review of the business

The principal activities of the Group continued to be that of property investment for the purpose of letting under assured shorthold tenancies, and the provision of residential property letting and management services.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future. A summary of the years trading accounts is given on page 5 of the accounts.

Results and dividends

The consolidated profit and loss account for the year is set out on page 5.

The directors do not recommend payment of an ordinary dividend.

Purchase of own shares

During the year, the company repurchased 324,673 Ordinary shares of 50p, being 9.36% of the 50p Ordinary shares then in issue, for a total consideration, including costs, of £698,047. This share repurchase was made in connection with the purchase by the company of FRP Investments Limited, a company previously controlled by the directors, as disclosed in note 16 and 21.

In addition, a tranche of 111,201 Ordinary shares of 50p each was also repurchased by the company, being 3.94% of the 50p Ordinary shares then in issue, for a total consideration including costs of £306,601. All shares repurchased by the company were subsequently cancelled. This share repurchase provided an exit route for certain shareholders.

Directors' interests

The directors' interests in the shares of the company were as stated below:

FRP Group plc

| | Ordinary Shares of 50p each | |
|----------------|-----------------------------|-----------------|
| | 30 November 2001 | 1 December 2000 |
| R.W. Devlin | 49,122 | 51,286 |
| S.F. Ronaldson | 49,122 | 51,286 |
| C.L. Powell | 105,200 | 105,200 |
| D.N. Fell | 62,414 | 100,007 |

| | Ordinary Shares of 25p each | |
|----------------|-----------------------------|-----------------|
| | 30 November 2001 | 1 December 2000 |
| R.W. Devlin | 69,264 | - |
| S.F. Ronaldson | 166,986 | - |
| C.L. Powell | 168,866 | - |
| D.N. Fell | 180,158 | - |

FRP GROUP PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2001

| | 'A' Ordinary Shares of 50p each | |
|----------------|---------------------------------|-----------------|
| | 30 November 2001 | 1 December 2000 |
| R.W. Devlin | 15 | 15 |
| S.F. Ronaldson | 25 | 25 |
| C.L. Powell | 45 | 45 |
| D.N. Fell | 60 | 60 |

Fell Property Management Limited

| | Ordinary shares of 1p each | |
|----------------|----------------------------|-----------------|
| | 30 November 2001 | 1 December 2000 |
| D.N. Fell | - | - |
| S.F. Ronaldson | - | - |
| C.L. Powell | - | - |

FRP Investments Limited

| | Ordinary shares of £1 each | |
|----------------|----------------------------|----------------|
| | 30 November 2001 | 1 October 2000 |
| S.F. Ronaldson | - | 2,667 |
| C.L. Powell | - | 2,666 |
| D.N. Fell | - | 2,667 |
| R.W. Devlin | - | 1,000 |

All the directors are eligible, as holders of 'A' Ordinary shares, for the company's Share Incentive Scheme as detailed in note 1.11 of the accounts, and the provision for which is shown in note 17.

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.

On average, trade creditors at the year end represented 7 (2000- 16) days' purchases.

Auditors

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

FRP GROUP PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2001

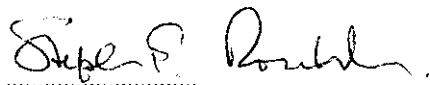
Directors' responsibilities

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 group 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, 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 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 that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



S.F. Ronaldson
Director

FRP GROUP PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FRP GROUP PLC

We have audited the financial statements of FRP Group plc on pages 5 to 24 for the year ended 30 November 2001. 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 herein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities on page 3 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 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 company's and the group's affairs as at 30 November 2001 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Beavis Walker

Chartered Accountants
Registered Auditor

Audrey House
16/20 Ely Place
London
EC1N 6SN

20/2/02

FRP GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 NOVEMBER 2001

| | | 2001 | 2000 |
|--|-----------|-----------|-----------|
| | Notes | £ | £ |
| Turnover | 2 | 1,319,874 | 1,175,040 |
| Cost of sales | | (83,572) | (112,016) |
| Gross profit | | 1,236,302 | 1,063,024 |
| Administrative expenses | | (589,426) | (466,682) |
| Provision for share incentive costs | | (103,674) | (67,500) |
| | | (693,100) | (534,182) |
| Operating profit | 3 | 543,202 | 528,842 |
| Profit on sale of property | | 6,901 | 43,232 |
| Profit on sale of investment in subsidiary | | - | 5,000 |
| Profit on ordinary activities before interest | | 550,103 | 577,074 |
| Other interest receivable and similar income | | 18,718 | 18,623 |
| Interest payable and similar charges | 4 | (289,720) | (240,547) |
| Profit on ordinary activities before taxation | | 279,101 | 355,150 |
| Tax on profit on ordinary activities | 5 | (98,454) | (76,107) |
| Profit on ordinary activities after taxation | 17 | 180,647 | 279,043 |

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

FRP GROUP PLC

STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 NOVEMBER 2001

| | 2001 £ | 2000 £ |
|--|------------------|------------------|
| Profit for the financial year | 180,647 | 279,043 |
| Unrealised surplus on revaluation of properties | 1,339,637 | 1,898,871 |
| Tax on revaluation surpluses realised and previously recognised in this statement | (20,600) | - |
| Total recognised gains and losses relating to the year | <u>1,499,684</u> | <u>2,177,914</u> |

Note of historical cost profits and losses

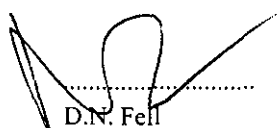
| | 2001 £ | 2000 £ |
|---|----------------|----------------|
| Reported profit on ordinary activities before taxation | 279,101 | 355,150 |
| Realisation of property revaluation gains of previous years | 85,326 | 405,869 |
| Historical cost profit on ordinary activities before taxation | <u>364,427</u> | <u>761,019</u> |
| Historical cost profit for the year retained after taxation. | <u>265,973</u> | <u>567,212</u> |

FRP GROUP PLC

BALANCE SHEETS AS AT 30 NOVEMBER 2001

| | Notes | Group 2001 £ | 2000 £ | Company 2001 £ | 2000 £ |
|--|-------|--------------------|--------------------|----------------------|--------------------|
| Fixed assets | | | | | |
| Intangible assets | 7 | 50,412 | 71,275 | - | - |
| Tangible assets - Investment properties | 8 | 17,730,620 | 15,728,251 | 17,730,620 | 15,728,251 |
| - Other | 9 | 204,775 | 149,156 | 204,775 | 149,156 |
| Investments | 10 | - | - | 162,337 | 756,080 |
| | | <u>17,985,807</u> | <u>15,948,682</u> | <u>18,097,732</u> | <u>16,633,487</u> |
| Current assets | | | | | |
| Debtors | 11 | 48,971 | 84,840 | 47,328 | 84,840 |
| Cash at bank and in hand | | 320,050 | 371,184 | 320,050 | 371,184 |
| | | <u>369,021</u> | <u>456,024</u> | <u>367,378</u> | <u>456,024</u> |
| Creditors: amounts falling due within one year | 13 | <u>(1,680,659)</u> | <u>(1,953,136)</u> | <u>(2,377,492)</u> | <u>(3,131,976)</u> |
| Net current liabilities | | <u>(1,311,638)</u> | <u>(1,497,112)</u> | <u>(2,010,114)</u> | <u>(2,675,952)</u> |
| Total assets less current liabilities | | 16,674,169 | 14,451,570 | 16,087,618 | 13,957,535 |
| Creditors: amounts falling due after more than one year | 14 | <u>(3,868,026)</u> | <u>(2,941,744)</u> | <u>(3,868,026)</u> | <u>(2,941,744)</u> |
| | | <u>12,806,143</u> | <u>11,509,826</u> | <u>12,219,592</u> | <u>11,015,791</u> |
| Capital and reserves | | | | | |
| Called up share capital | 16 | 1,677,937 | 1,733,539 | 1,677,937 | 1,733,539 |
| Share premium account | 17 | 551,430 | 551,430 | 551,430 | 551,430 |
| Revaluation reserve | 17 | 5,791,078 | 5,624,856 | 5,791,078 | 4,537,207 |
| Capital redemption reserve | 17 | 490,156 | 272,217 | 490,156 | 272,217 |
| Merger reserve | 17 | 610,710 | 2,611,800 | - | - |
| Profit and loss account | 17 | 3,684,832 | 715,984 | 3,708,991 | 3,921,398 |
| Shareholders' funds - equity interests | 18 | <u>12,806,143</u> | <u>11,509,826</u> | <u>12,219,592</u> | <u>11,015,791</u> |

The financial statements were approved by the board on 19/2/02


D.N. Fell
Director

FRP GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 NOVEMBER 2001

| | 2001 £ | 2000 £ |
|---|-----------|-------------|
| Net cash inflow from operating activities | 718,912 | 707,684 |
| Returns on investments and servicing of finance | | |
| Interest received | 18,718 | 18,623 |
| Interest paid | (289,916) | (189,517) |
| Net cash outflow for returns on investments and servicing of finance | (271,198) | (170,894) |
| Taxation | (212,677) | (160,421) |
| Capital expenditure and financial investment | | |
| Payments to acquire tangible assets | (925,368) | (633,251) |
| Receipts from sales of tangible assets | 188,806 | 1,070,511 |
| Net cash (outflow)/inflow for capital expenditure | (736,562) | 437,260 |
| Acquisitions and disposals | | |
| Sale of subsidiary undertakings | - | 5,000 |
| Net cash inflow for acquisitions and disposals | - | 5,000 |
| Net cash (outflow)/inflow before management of liquid resources and financing | (501,525) | 818,629 |
| Financing | | |
| Purchase of own shares | (306,601) | (1,134,811) |
| New long term bank loan | 842,921 | 43,058 |
| Capital element of hire purchase contracts | (3,914) | (5,867) |
| Net cash inflow/(outflow) from financing | 532,406 | (1,097,620) |
| Increase/(decrease) in cash in the year | 30,881 | (278,991) |

FRP GROUP PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 NOVEMBER 2001

| 1 Reconciliation of operating profit to net cash inflow from operating activities | | 2001 | 2000 |
|---|--------------------|--------------------|---|
| | | £ | £ |
| Operating profit | | 543,202 | 528,842 |
| Depreciation of tangible assets | | 69,808 | 67,714 |
| Amortisation of intangible assets | | 20,363 | 20,363 |
| Decrease/(increase) in debtors | | 35,869 | (34,529) |
| (Decrease)/increase in creditors within one year | | (54,004) | 57,794 |
| Provision for cost of incentive scheme | | 103,674 | 67,500 |
| Net cash inflow from operating activities | | 718,912 | 707,684 |
| | | | |
| 2 Analysis of net debt | | 1 December 2000 | Cash flow Other non-cash changes 30 November 2001 |
| | | £ | £ |
| Net cash: | | | |
| Cash at bank and in hand | 371,184 | (51,134) | - |
| Bank overdrafts | (473,680) | 82,015 | - |
| | (102,496) | 30,881 | - |
| Debt: | | | |
| Debts falling due within one year | (478,931) | 87,275 | - |
| Debts falling due after one year | (2,941,744) | (926,282) | - |
| | (3,420,675) | (839,007) | - |
| Net debt | (3,523,171) | (808,126) | (4,331,297) |
| | | | |
| 3 Reconciliation of net cash flow to movement in net debt | | 2001 | 2000 |
| | | £ | £ |
| Increase/(decrease) in cash in the year | | 30,881 | (278,991) |
| Cash inflow from increase in debt | | (839,007) | (37,191) |
| Movement in net debt in the year | | (808,126) | (316,182) |
| Opening net debt | | (3,523,171) | (3,206,989) |
| Closing net debt | | (4,331,297) | (3,523,171) |

4 Major non-cash transactions

As shown in note 16, the total consideration paid for the repurchase of shares was £1,004,648. However, £698,047 of this consideration is satisfied by means of an intra group loan.

FRP GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2001

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.

1.2 Compliance with accounting standards

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

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 30 November 2001. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

1.4 Turnover

Turnover represents gross income receivable from rental properties, property management and letting fees.

1.5 Goodwill

Goodwill, representing the difference between the fair value of consideration paid and the fair value of the separable net assets of the subsidiaries at acquisition, positive goodwill is amortised over five years, being its estimated useful life. The positive goodwill relates to the acquisition of Fell Property Management Limited. Negative goodwill is included in the balance sheet and will be credited to the profit and loss account in the periods in which the non-monetary assets are recovered, whether through depreciation or sale. The negative goodwill relates to the acquisition of FRP Investments Limited.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land 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:

| | |
|--------------------------------|---|
| Land and buildings Freehold | 2% Straight line |
| Fixtures, fittings & equipment | 25% straight line / 20% on written down value |
| Motor vehicles | 25% straight line |

1.7 Leasing

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.

FRP GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2001

1 Accounting policies

(continued)

1.8 Investments

Freehold properties

Properties held for investment are included in the balance sheet at independent professional valuations at 30th November, 2001. The valuations, at open market value subject to existing tenancies, were carried out in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. In accordance with SSAP 19 (Accounting for Investment Properties), surpluses and deficits on revaluation are recognised in the accounts and taken to the investment revaluation reserve, with the exception of deficits on individual properties which are considered permanent. Provisions for permanent diminution in value are taken to the profit and loss account as an exceptional item. The directors believe compliance with SSAP 19 and the consequent non-charging of depreciation on investment properties gives a true and fair view.

Investments in subsidiary undertakings

Advantage has been taken of the merger relief rules. As a consequence shares issued as consideration for acquisitions are shown in the company's accounts at the nominal value of the shares issued. Where there is considered to be any permanent diminution in the value of a subsidiary below this value, provision is made through the profit and loss account of the company. Costs arising on the acquisitions are deemed to be of no lasting benefit to the group and have been written off to the profit and loss account.

Profits or losses on disposal of subsidiary undertakings are computed by reference to the difference between proceeds received and the group's share of net assets at disposal.

1.9 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year to individual employees' personal pension funds at rates agreed with those employees. There is no outstanding liability at the year end.

1.10 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future. No provision is made for deferred tax arising on the revaluation of investment properties except where there is an intention to dispose of a property.

1.11 Incentive scheme

In accordance with the provisions of UITF 17, provision is made in the profit and loss account for the cost of an estimated number of 186,736 shares in the company expected to be issued to the holders of 'A' Ordinary shares, in accordance with the deferred convertible share scheme as set out in the company's articles of association and detailed in note 16 to the accounts based on the estimated monetary value of the ordinary shares at the date of approval of the scheme and consolidated net assets at 30th November 2001. The cost is charged to the profit and loss account on a straight line basis over the period from the date on which the conversion scheme was approved to 30th November 2003.

The notional estimated proceeds of the shares are credited to reserves and shown in movements to reserves as detailed in note 17.

FRP GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2001

2 Segmental analysis by class of business

The analysis by class of business of the group's turnover and profit before taxation is set out as below:

Turnover

| | 2001 £ | 2000 £ |
|--------------------------------------|------------------|------------------|
| Class of business | | |
| Rental income | 1,103,665 | 1,003,120 |
| Letting and property management fees | 216,209 | 171,920 |
| | <u>1,319,874</u> | <u>1,175,040</u> |

3 Operating profit

| | 2001 £ | 2000 £ |
|---|----------------|----------------|
| Operating profit is stated after charging: | | |
| Depreciation of intangible assets | 20,363 | 20,363 |
| Depreciation of tangible assets | 69,808 | 67,714 |
| Auditors' remuneration | 9,000 | 9,000 |
| Remuneration of auditors for non-audit work | 5,859 | 4,558 |
| Directors' emoluments | 177,080 | 146,920 |
| | <u>282,010</u> | <u>248,555</u> |

4 Interest payable

| | 2001 £ | 2000 £ |
|----------------------------------|----------------|----------------|
| On bank loans and overdrafts | 20,631 | 17,487 |
| On loans repayable after 5 years | 269,089 | 221,123 |
| Lease finance charges | - | 1,750 |
| Other interest | - | 187 |
| | <u>289,720</u> | <u>240,547</u> |

5 Taxation

| | £ | £ |
|---|---------------|---------------|
| Domestic current year taxation | | |
| U.K. corporation tax at 28% (2000- 28%) | 98,454 | 93,303 |
| Adjustment for prior years | - | (17,196) |
| | <u>98,454</u> | <u>76,107</u> |

The tax charge is higher than 28% of pre-tax profits because of non-allowable expenditure, principally goodwill and share incentive provisions.

FRP GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2001

6 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows:

| | 2001 £ | 2000 £ |
|---|----------------|----------------|
| Holding company's profit for the financial year | <u>603,241</u> | <u>381,644</u> |

FRP GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2001

7 Intangible fixed assets Group

| | Goodwill £ |
|-----------------------------|---------------|
| Cost | |
| At 1 December 2000 | 101,814 |
| Additions-negative goodwill | (500) |
| | <hr/> |
| At 30 November 2001 | 101,314 |
| | <hr/> |
| Amortisation | |
| At 1 December 2000 | 30,539 |
| Charge for year | 20,363 |
| | <hr/> |
| At 30 November 2001 | 50,902 |
| | <hr/> |
| Net book value | |
| At 30 November 2001 | 50,412 |
| | <hr/> |
| At 30 November 2000 | 71,275 |
| | <hr/> |

Goodwill arising on acquisition of subsidiary undertaking FRP Investments Limited on 5th February 2001.

| | £ | £ |
|---|---------|---------|
| Market value of subsidiary undertaking on acquisition (value of shares issued in share-for-share exchange) | | 698,047 |
| Fair value of assets acquired: | | |
| Current assets | 699,690 | |
| Liabilities due within one year | (1,143) | |
| | <hr/> | |
| | | 698,547 |
| | | <hr/> |
| Negative goodwill arising on acquisition | | (500) |
| | | <hr/> |

FRP GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2001

| | | |
|--|-------------------|-------------------|
| 8 Tangible fixed assets | | |
| Investment properties | Group | Company |
| | £ | £ |
| Cost or valuation | | |
| At 1 December 2000 | 15,728,251 | 15,728,251 |
| Additions | 851,112 | 851,112 |
| Revaluation | 1,331,757 | 1,331,757 |
| Disposals | (180,500) | (180,500) |
| | <u>17,730,620</u> | <u>17,730,620</u> |
| At 30 November 2001 | | |
| Depreciation | | |
| At 1 December 2000 & at 30 November 2001 | - | - |
| | <u>-</u> | <u>-</u> |
| Net book value | | |
| At 30 November 2001 | 17,730,620 | 17,730,620 |
| | <u>17,730,620</u> | <u>17,730,620</u> |
| At 30 November 2000 | 15,728,251 | 15,728,251 |
| | <u>15,728,251</u> | <u>15,728,251</u> |

The freehold and leasehold land and buildings were valued as at 30th November 2001 on an open market basis by Pearson Gore, a firm of independent Chartered Surveyors.

No provision has been made for deferred tax in respect of the revaluation as there were no contractual sales at year-end.

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

| | |
|-----------------------------------|-------------------|
| | £ |
| Cost | |
| At 1 December 2000 | 11,238,544 |
| Additions net of disposals | 755,477 |
| | <u>11,994,021</u> |
| At 30 November 2001 | |
| Depreciation based on cost | |
| At 1 December 2000 | - |
| Charge for the year | - |
| | <u>-</u> |
| At 30 November 2001 | |
| Net book value | |
| At 30 November 2001 | 11,994,021 |
| | <u>11,994,021</u> |
| At 30 November 2000 | 11,238,544 |
| | <u>11,238,544</u> |

FRP GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2001

9 Tangible fixed assets Group and company

| | Land and buildings Freehold | Fixtures, fittings & equipment | Motor vehicles | Total |
|--------------------------|-----------------------------------|--------------------------------------|-------------------|---------|
| | £ | £ | £ | £ |
| Cost or valuation | | | | |
| At 1 December 2000 | 47,500 | 673,661 | 19,106 | 740,267 |
| Additions | - | 109,731 | 9,221 | 118,952 |
| Revaluation | 7,880 | - | - | 7,880 |
| Disposals | - | (1,405) | - | (1,405) |
| At 30 November 2001 | 55,380 | 781,987 | 28,327 | 865,694 |
| Depreciation | | | | |
| At 1 December 2000 | - | 583,324 | 7,787 | 591,111 |
| Charge for the year | 1,108 | 62,194 | 6,506 | 69,808 |
| At 30 November 2001 | 1,108 | 645,518 | 14,293 | 660,919 |
| Net book value | | | | |
| At 30 November 2001 | 54,272 | 136,469 | 14,034 | 204,775 |
| At 30 November 2000 | 47,500 | 90,337 | 11,319 | 149,156 |

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

| | Fixtures, fittings & equipment | Motor vehicles | Total |
|---|--------------------------------------|-------------------|-------|
| | £ | £ | £ |
| Net book values | | | |
| At 30 November 2001 | - | - | - |
| At 30 November 2000 | 7,978 | - | 7,978 |
| Depreciation charge for the year | | | |
| 30 November 2001 | - | - | - |
| 30 November 2000 | 1,994 | - | 1,994 |

FRP GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2001

10 Fixed asset investments Company

| | Shares in subsidiary undertakings £ |
|--------------------------|--|
| Cost or valuation | |
| At 1 December 2000 | 756,080 |
| Additions | 162,337 |
| Disposals | (756,080) |
| | <hr/> |
| At 30 November 2001 | 162,337 |
| | <hr/> |
| At 30 November 2000 | 756,080 |
| | <hr/> |

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

| Company | Country of registration or incorporation | Class | Shares held % |
|----------------------------------|---|----------|------------------|
| Subsidiary undertakings | | | |
| Fell Property Management Limited | England and Wales | Ordinary | 100 |
| FRP Investments Limited | England and Wales | Ordinary | 100 |

The principal activity of these undertakings for the last relevant financial year was as follows:

| | Principal activity |
|----------------------------------|--------------------|
| Fell Property Management Limited | Dormant |
| FRP Investments Limited | Dormant |

During the year two subsidiaries, First Residential Properties II Limited and First Residential Properties Limited, which had been dormant since 30th November, 1999 were liquidated.

11 Debtors

| | Group 2001 £ | 2000 £ | Company 2001 £ | 2000 £ |
|--------------------------------|--------------------|-----------|----------------------|-----------|
| Trade debtors | 10,775 | 10,469 | 10,775 | 10,469 |
| Other debtors | 12,401 | 56,364 | 10,758 | 56,364 |
| Prepayments and accrued income | 25,795 | 18,007 | 25,795 | 18,007 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 48,971 | 84,840 | 47,328 | 84,840 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

FRP GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2001

12 Bank balance includes monies as follows

| | 2001 £ | 2000 £ |
|-------------------------|----------------|----------------|
| Clients current account | 18,979 | 14,060 |
| Clients deposit account | 300,000 | 340,000 |
| | <u>318,979</u> | <u>354,060</u> |

13 Creditors : amounts falling due within one year

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2001 £ | 2000 £ | 2001 £ | 2000 £ |
| Bank loans and overdrafts | 783,321 | 948,697 | 783,321 | 948,697 |
| Net obligations under finance lease and hire purchase contracts | - | 3,914 | - | 3,914 |
| Trade creditors | 7,195 | 19,394 | 7,195 | 19,394 |
| Amounts owed to group undertakings | - | - | 698,047 | 1,178,840 |
| Corporation tax | 113,684 | 207,307 | 113,684 | 207,307 |
| Taxes and social security costs | 2,196 | 5,059 | 2,196 | 5,059 |
| Other creditors | 3,058 | 7,471 | 3,058 | 7,471 |
| Accruals and deferred income | 452,226 | 407,234 | 451,012 | 407,234 |
| Due to clients | 318,979 | 354,060 | 318,979 | 354,060 |
| | <u>1,680,659</u> | <u>1,953,136</u> | <u>2,377,492</u> | <u>3,131,976</u> |

FRP GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2001

14 Creditors : amounts falling due after more than one year

| | Group 2001 £ | 2000 £ | Company 2001 £ | 2000 £ |
|--|--------------------|-----------|----------------------|-----------|
| Bank loans | 3,868,026 | 2,941,744 | 3,868,026 | 2,941,744 |
| Analysis of loans | | | | |
| Not wholly repayable within five years other than by instalments | 2,444,511 | 1,109,227 | 2,444,511 | 1,109,227 |
| Wholly repayable within five years | 1,815,171 | 2,307,534 | 1,815,171 | 2,307,534 |
| | 4,259,682 | 3,416,761 | 4,259,682 | 3,416,761 |
| Included in current liabilities | (391,656) | (475,017) | (391,656) | (475,017) |
| | 3,868,026 | 2,941,744 | 3,868,026 | 2,941,744 |
| Instalments not due within five years | 2,444,511 | 1,109,227 | 2,444,511 | 1,109,227 |
| Loan maturity analysis | | | | |
| In more than one year but not more than two years | 391,735 | 475,017 | 391,735 | 475,017 |
| In more than two years but not more than five years | 1,031,780 | 1,357,500 | 1,031,780 | 1,357,500 |
| In more than five years | 2,444,511 | 1,109,227 | 2,444,511 | 1,109,227 |

The bank loans are repayable over 15 years by quarterly payments of £97,914. Interest is charged at 1.5% per annum above base rate. The loans are secured by a charge over the assets of the company.

Net obligations under finance leases and hire purchase contracts

| | | | | |
|---------------------------|---|-------|---|-------|
| Repayable within one year | - | 3,914 | - | 3,914 |
| | - | 3,914 | - | 3,914 |

FRP GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2001

15 Provisions for liabilities and charges

Deferred taxation provided in the financial statements and the amounts not provided are as follows:

Group

| | Not provided 2001 £ | 2000 £ | Provided 2001 £ | 2000 £ |
|--|---------------------------|------------------|-----------------------|-----------|
| Surplus on revaluation of land and buildings | 2,355,000 | 1,985,000 | - | - |
| | <u>2,355,000</u> | <u>1,985,000</u> | <u>-</u> | <u>-</u> |

FRP GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2001

| 16 Share capital | 2001 £ | 2000 £ |
|---|------------------|------------------|
| Authorised | | |
| 4,999,940 Ordinary Shares of 50p each | 2,499,970 | 2,499,970 |
| 3,984,172 Ordinary Shares of 25p each (2000 - Nil) | 996,043 | - |
| 160 'A' Ordinary Shares of 50p each | 80 | 80 |
| | <u>3,496,093</u> | <u>2,500,050</u> |
| Allotted, called up and fully paid | | |
| 2,711,121 Ordinary Shares of 50p each (2000- 3,466,917) | 1,355,560 | 1,733,459 |
| 1,289,190 Ordinary Shares of 25p each (2000- Nil) | 322,297 | - |
| 160 'A' Ordinary Shares of 50p each | 80 | 80 |
| | <u>1,677,937</u> | <u>1,733,539</u> |

During the year 324,673 Ordinary shares of 50p each were repurchased for a total consideration, including costs, of £698,047 and subsequently cancelled.

A tranche of 111,201 Ordinary shares of 50p each was also repurchased for a total consideration, including costs, of £306,601 and subsequently cancelled. Therefore, total consideration paid in the year in connection with repurchase of shares amounted to £1,004,648, as shown in note 17.

649,346 Ordinary shares of 25p each were issued in consideration for the acquisition on 5th February 2001 of the whole of the issued ordinary share capital of FRP Investments Limited. In addition, 319,922 Ordinary shares of 50p each were converted into 639,844 Ordinary shares of 25p each at par.

At general meetings of the company, members are entitled to two votes for each 50p Ordinary and 'A' Ordinary shares held, but only one vote for each 25p Ordinary share held.

As regards dividends, 'A' Ordinary shares are not entitled to any dividends until after conversion into ordinary shares. Holders of 50p Ordinary shares are entitled to twice the dividend declared and received by the holder of a 25p Ordinary share.

As regards capital, the holders of 50p Ordinary and 'A' Ordinary shares are entitled to 50p for each share held, and holders of 25p Ordinary shares are entitled to 25p for each share held. Any balance remaining after repayment of capital is to be divided amongst the holders of the 25p Ordinary and 50p Ordinary shares pro rata to the total nominal value of all shares held by each member. Holders of 'A' Ordinary shares will only participate in a distribution of surplus assets following conversion of 'A' Ordinary shares into Ordinary shares prior to the first distribution by a liquidator.

On each transfer for value the purchasers of 50p Ordinary shares may elect to convert one 50p Ordinary share so acquired into two 25p Ordinary shares.

The 'A' Ordinary shares are convertible into Ordinary shares in 2004 (or on flotation, sale or liquidation of the Company if earlier) up to a maximum of 13% of the Company's issued shares at 30th November 2003. These shares would entitle the holder to 16% of the excess value of the Company above £2.70 per share.

FRP GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2001

17 Statement of movements on reserves Group

| | Share premium account £ | Revaluation reserve £ | Capital redemption reserve £ | Merger reserve £ | Profit and loss account £ |
|---|----------------------------------|-----------------------------|---------------------------------------|------------------------|---------------------------------|
| Balance at 1 December 2000 | 551,430 | 5,624,856 | 272,217 | 2,611,800 | 715,984 |
| Retained profit for the year | - | - | - | - | 180,647 |
| Transfer from revaluation reserve to profit and loss account | - | (85,326) | - | - | 85,326 |
| Tax on revaluation surplus | - | - | - | - | (20,600) |
| Repurchase of own shares (note 16). | - | - | 217,939 | - | (1,004,648) |
| Revaluation during the year | - | 1,339,197 | - | - | - |
| Realisation of revaluation surpluses on liquidation of subsidiaries | - | (1,087,649) | - | - | 1,087,649 |
| Movement during the year | - | - | - | 535,710 | - |
| Incentive scheme provision | - | - | - | - | 103,674 |
| Transfer from merger reserve in respect of liquidated subsidiaries | - | - | - | (2,536,800) | 2,536,800 |
| Balance at 30 November 2001 | 551,430 | 5,791,078 | 490,156 | 610,710 | 3,684,832 |

Company

| | Share premium account £ | Revaluation reserve £ | Capital redemption reserve £ | Profit and loss account £ |
|--|----------------------------------|-----------------------------|---------------------------------------|---------------------------------|
| Balance at 1 December 2000 | 551,430 | 4,537,207 | 272,217 | 3,921,398 |
| Retained profit for the year | - | - | - | 623,841 |
| Transfer from revaluation reserve to profit and loss account | - | (85,326) | - | 85,326 |
| Tax on revaluation surplus | - | - | - | (20,600) |
| Incentive scheme provision | - | - | - | 103,674 |
| Revaluation during the year | - | 1,339,197 | - | - |
| Repurchase of own shares | - | - | 217,939 | (1,004,648) |
| Balance at 30 November 2001 | 551,430 | 5,791,078 | 490,156 | 3,708,991 |

FRP GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2001

| | | | |
|-----------|---|-------------|-------------|
| 18 | Reconciliation of movements in shareholders' funds | 2001 | 2000 |
| | Group | £ | £ |
| | Profit for the financial year | 180,647 | 279,043 |
| | Other recognised gains and losses | 1,318,597 | 1,898,871 |
| | Purchase of own shares | (1,004,648) | (1,134,811) |
| | Provision for cost of incentive scheme | 103,674 | 67,500 |
| | New share capital subscribed | 698,047 | - |
| | | <hr/> | <hr/> |
| | Net addition to shareholders' funds | 1,296,317 | 1,110,603 |
| | Opening shareholders' funds | 11,509,826 | 10,399,223 |
| | | <hr/> | <hr/> |
| | Closing shareholders' funds | 12,806,143 | 11,509,826 |
| | | <hr/> | <hr/> |
| | | 2001 | 2000 |
| | Company | £ | £ |
| | Profit for the financial year | 623,841 | 381,644 |
| | Other recognised gains and losses | 1,318,597 | 1,898,871 |
| | Purchase of own shares | (1,004,648) | (1,134,811) |
| | Provision for cost of incentive scheme | 103,674 | 67,500 |
| | New share capital subscribed | 162,337 | - |
| | | <hr/> | <hr/> |
| | Net addition to shareholders' funds | 1,203,801 | 1,213,204 |
| | Opening shareholders' funds | 11,015,791 | 9,802,587 |
| | | <hr/> | <hr/> |
| | Closing shareholders' funds | 12,219,592 | 11,015,791 |
| | | <hr/> | <hr/> |
| | | - | - |
| 19 | Directors' emoluments | 2001 | 2000 |
| | | £ | £ |
| | Emoluments for qualifying services | 177,080 | 146,920 |
| | | <hr/> | <hr/> |

FRP GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2001

20 Employees

Number of employees

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

| | 2001 Number | 2000 Number |
|-------------------------------|----------------|----------------|
| Administrative services staff | 13 | 9 |

Employment costs (excluding share incentive costs)

| | £ | £ |
|-----------------------|---------|---------|
| Wages and salaries | 271,236 | 208,518 |
| Social security costs | 25,111 | 17,509 |
| Other pension costs | 2,978 | 3,432 |
| | 299,325 | 229,459 |

21 Related party transactions

Group and company

a) The company purchased legal services totalling £13,763 (2000: £43,975) from Ronaldsons solicitors, in which S F Ronaldson, a director of the company, is a partner.

The company also purchased consultancy services totalling £10,000 (2000: £10,000) from Ronaldsons Associates Limited, a company in which S F Ronaldson is a director. At the year end the amount owed to Ronaldsons Associates limited was £nil (2000: £2,500).

b) The company rents office premises from FRPH Limited a company in which S F Ronaldson, C L Powell and D N Fell are interested as directors and shareholders. The rent paid was £12,344 (2000: £12,008).

c) The company charged management fees totalling £44,162 (2000: £43,176) to Residential Property Investment Management Limited, in which company D N Fell is a director. The balance due from Residential Property Investment Management Limited at the year end was £nil (2000: £420).

d) The company purchased consultancy services totalling £12,500 (2000: £12,500) from C & JP Consultants Limited, in which company C L Powell is a director. The balance due to C & JP Consultants Limited at the year end was £nil (2000: £3,125).

e) The company purchased consultancy services totalling £7,500 (2000: £7,500) from Rittle Limited, in which company R W Devlin is a director. The balance due to Rittle Limited at the year end was £nil (2000: £1,875).

f) During the year the company purchased the entire share capital of FRP Investments Limited, a company registered in England and Wales, by means of a share for share exchange involving the issue of 649,346 ordinary shares of 25p. The company was previously wholly owned by the directors of the company. The 324,673 ordinary shares of 50p held by FRP Investments Limited in the company were redeemed at £2.15 per share.