

**HAMPTONS GROUP LIMITED**

**Report and Consolidated Financial Statements**

**30 June 2003**

**Deloitte & Touche LLP  
London**



**REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2003**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

N M S Rich CBE, FCA	(Non-Executive Chairman)
W N Jackson	(Non-Executive Director)
D J Lawrence FRICS	(Non-Executive Director)
R J C Paterson	
C G Palmer FRICS	
J R Priestley FRICS	
C P Ralph ACA	

**SECRETARY**

A J Richards

**REGISTERED OFFICE**

7 Lower Sloane Street  
Chelsea  
London  
SW1W 8AH

**BANKERS**

The Royal Bank of Scotland  
2 Waterhouse Square  
138-142 Holborn  
London  
EC1N 2TH

**SOLICITORS**

Travers Smith Braithwaite  
10 Snow Hill  
London  
EC1A 2AL

**AUDITORS**

Deloitte & Touche LLP  
London

**CHAIRMAN'S STATEMENT**

2003 was an extremely challenging year and the financial performance of the Group was substantially below our initial expectations reflecting the very tough market environment in which we have operated, particularly during the months from December to April.

It is encouraging that during these difficult times we have strengthened our position relative to our peers. Furthermore we have chosen not to embark on a significant headcount reduction programme which might have benefited the year's results, but at the expense of the medium term health of the business and its long term potential.

Our balance sheet remains robust and thus, despite our performance in 2003, the Directors have declared a dividend of 9.5p per ordinary share.

Last year I reported that we intended to invest in our existing core businesses, their locations, technology and people. Our actions during the year were consistent with this approach and are expected to remain so in future.

In the current year we have set ourselves a number of significant challenges. Notably the re-invigoration of our significant Lettings business and the introduction of our new front-end technology platform to power both our Sales and Lettings divisions. Both programmes are well underway.

At present we are experiencing very healthy levels of business in most areas of operation. Whilst it is appropriate to remain cautious, it is my belief that this is not purely driven by our markets but reflects the increasing strength of our brand and, most importantly, our people and their desire to succeed.

**N M S Rich**  
Chairman

**OPERATIONAL REVIEW****Market Backdrop**

The caution I expressed in my last Operational Review has, sadly, proved well founded. After a strong start to the year our core residential sales market saw a significant reduction in activity levels related to declining house prices and significant global uncertainty. This environment persisted for much of the second half of the year.

It is my belief that in tough markets experienced agents and strong and established brands should out-perform and, whilst our results are disappointing, I believe that relative to our peers, the result reflects favourably on Hamptons and its staff.

Unlike many of our peers, however, we have taken a conscious decision not to under-go a programme of wholesale redundancies but have, instead, attempted to retain as many of our experienced staff as possible in order to preserve our long term growth prospects.

**Review of Performance**

The factors set out above meant that this has been a year of two halves in the Residential Sales division, with the substantial profits generated in the first six months significantly reduced in the second six months and overall turnover down by 10%.

Nowhere was the market downturn felt more keenly than in Residential Development and Investment where, not surprisingly, the investment market virtually dried up whilst house prices were falling. Revenues were £1.3 million less than last year and the division only managed to break even before making provision for amounts due to us from a developer which recently went into administration.

In Lettings and Management, the core lettings operations performed well despite the significant reduction in appetite from corporate tenants that we have seen over recent years. Revenues grew by 5% and profits by 10% during the year. We believe that further advances can be made by drawing on technology and using the scale of our business to deliver a more customer-focused and more efficient offering. Substantial in-roads have already been made in achieving this.

Our Residential Estate Management division had another very productive and profitable year, assisted by the market share of high profile developments that we have secured.

Our Overseas operations were also affected by the lack of investor-purchaser activity and, as a consequence, they were unable to show an improvement over last year.

As mentioned in my previous report, we sold our Commercial operation in the early part of this financial year. However, I am delighted to report that CB Richard Ellis, the world's largest commercial agent has appointed us, to be their exclusive residential partner in the UK.

During the year we were given the opportunity to significantly increase our shareholding in Asserta at very modest cost. Portals have an important role to play in the housing market and it remains in our interest to be involved with a major player in this arena. We now hold 37% of this business which has revenues of over £3 million and free cash of over £1.5 million.

We have recruited a new Chief Executive our Fine Art operation from Christie's and it is now undergoing significant changes to build momentum and capture more of the business that our branches and brand are able to offer.

I am delighted to report that Hamptons International Mortgages, in its first full year of trading had instructions to place £250 million of new loans and is now trading at a profit. Equally importantly is the external recognition this business has achieved, notably being voted Money Marketing's Mortgage Broker of the year 2003.

**OPERATIONAL REVIEW (continued)**

**Strategy**

*We are an ambitious business.*

In order to equip ourselves better for the future, we have embarked upon a major initiative to communicate our vision for growth to all our staff and to seek input from them on how to accelerate the achievement of our goals.

The framework for this project rests upon seven building blocks for success: our brand; our culture; our people; our customer service; real focus in what we do; great systems; and maintaining a long term perspective. I am delighted at the level of commitment shown by so many of our employees in this project and, as I have told them already, I believe tangible benefits in terms of a greater profile for our business has been achieved and more transactions are being handled by us as consequence.

**New Branches**

Despite the market conditions we have taken a number of steps to grow our branch network: relaunching our Bristol office at a new location in Clifton; opening in North Oxford; and taking on new premises in both Paddington and Wilmslow. In addition, we acquired a Lettings business based in Fulham. Further expansion is planned for the coming year.

**Technology**

During the year we embarked on a project to create a new front-end technology platform for our business. This project should be completed during the course of the coming year and will involve an outlay of well over £1 million.

In addition, technology is enabling us to pull more and more of the back office functions out of our branches in both our Lettings and Sales businesses.

**Outlook**

The core Residential Sales business is currently performing very strongly, outstripping even the activity levels seen this time last year. To an extent this out-performance may reflect transactions which have been delayed from earlier this year. Nevertheless even when this factor is taken in to account I believe there is clear evidence that the business is improving.

In our Lettings operation we are still getting little assistance from market dynamics but we believe that actions we are taking ourselves will have a substantial impact on future financial performance and the quality of customer service.

**R J C Paterson**  
Group Managing Director

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 30 June 2003.

**ACTIVITIES**

Hamptons Group Limited is the parent company of a group of companies providing estate agency and related services and functions as a holding company.

**REVIEW OF THE BUSINESS AND FUTURE PROSPECTS**

The review of the business and its future prospects are detailed in the Chairman's Statement and Operational Review.

**RESULTS AND DIVIDENDS**

The group made a profit after tax of £410,000 in the year to 30 June 2003 (2002: £2.8 million). The directors have paid and declared interim dividends totalling 9.5p per share (2002: 28.5p per share).

**DIRECTORS AND THEIR INTERESTS**

The present membership of the board is set out on page 1. All directors served throughout the year.

The directors' interests in the shares of the company at the beginning and end of the year were as follows:

	<b>Ordinary shares</b>	
	<b>2003</b>	<b>2002</b>
N M S Rich	270,368	270,368
R J C Paterson	2,069,370	2,069,370
	<b>'A' ordinary shares</b>	
	<b>2003</b>	<b>2002</b>
C P Ralph	50	-

At 30 June 2003, Mr C G Palmer may be regarded as interested in 1,470,321 (2002: 1,470,321) ordinary shares as he and members of his family are potential or contingent beneficiaries under the terms of the trust deed constituting the Galapino Trust.

At 30 June 2003, Bridgepoint Capital Nominees Limited held 1,066,270 (2002: 1,066,270) ordinary shares. Mr W N Jackson, a director of the company, has an indirect interest in those shares as a director of Bridgepoint Capital Nominees Limited.

At 30 June 2003, Firstbilt Pte Limited held 3,534,160 (2002: 3,534,160) ordinary shares. Mr D J Lawrence, a director of the company, has an indirect interest in those shares as a director of Firstbilt Pte Limited.

None of the remaining directors had any interest in the shares of the company or any other group company at any time during the year. Details of directors' share options are disclosed in note 5.

**DIRECTORS' REPORT (continued)**

**DISABLED PERSONS**

It is the group's policy to give full consideration to suitable applications for employment by disabled people.

Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees of the group who become disabled to continue in their employment or to be trained for other positions in the group.

**EMPLOYEES**

The group is committed to involve all employees in the performance and development of the business. Employees are encouraged to discuss with management matters of interest to the employee and subjects affecting the day to day operations of the group. Employees receive bonus payments related to the individual's sector performance.

**CHARITABLE AND POLITICAL CONTRIBUTIONS**

The group made charitable contributions of £38,394 (2002: £16,903) during the year.

The group made no political contributions during the year (2002: nil).

**AUDITORS**

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of Section 26(5) of the Companies Act 1989. A resolution to reappoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

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



**C P Ralph**  
Group Finance Director

30/9/3



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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; and
- 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 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
HAMPTONS GROUP LIMITED**

We have audited the financial statements of Hamptons Group Limited for the year ended 30 June 2003 which comprise the consolidated profit and loss account, the balance sheets, consolidated cash flow statement and related notes 1 to 27. These financial statements have been prepared under 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 auditors' 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 directors and auditors**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

**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 circumstances of the company and the group, 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 as at 30 June 2003 and of profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**DELOITTE & TOUCHE LLP**  
Chartered Accountants and Registered Auditors  
London

2/10/3

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
 Year ended 30 June 2003

	Note	2003 £'000	2002 £'000
<b>TURNOVER</b>			
Continuing operations (in addition share of joint venture turnover £286,000 (2002: nil))		47,226	50,243
Discontinued operations		621	2,367
	2	47,847	52,610
Administrative expenses		(47,102)	(47,595)
Other operating income		25	63
<b>OPERATING PROFIT</b>			
Continuing operations		472	5,199
Discontinued operations		298	(121)
Group operating profit	3	770	5,078
Share of joint venture's operating loss	4	(119)	-
<b>Total operating profit</b>		651	5,078
Profit/(loss) on disposal of subsidiary undertakings	23	21	(483)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>			
		672	4,595
Interest receivable and similar income	6	503	464
Interest payable and similar charges	7	(32)	(26)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			
	2	1,143	5,033
Tax on profit on ordinary activities	8	(733)	(2,237)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>			
		410	2,796
Equity minority interests		(90)	168
<b>PROFIT FOR THE FINANCIAL YEAR</b>			
		320	2,964
Equity dividends	10	(1,036)	(3,108)
<b>RETAINED LOSS FOR THE FINANCIAL YEAR</b>			
	17	(716)	(144)
<b>EARNINGS PER ORDINARY SHARE</b>			
	26	2.9p	27.4p

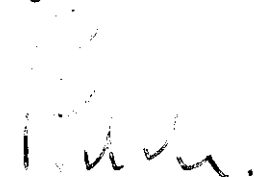
There are no recognised gains and losses for the current or preceding financial year other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses is given.

CONSOLIDATED BALANCE SHEET  
At 30 June 2003

	Note	2003		2002	
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Intangible assets	11		747		859
Tangible assets	12		3,004		2,918
Investments	13		-		1,000
Investments in joint ventures:	13				
- share of gross assets		1,675		-	
- share of gross liabilities		(682)		-	
			993		-
			4,744		4,777
<b>CURRENT ASSETS</b>					
Debtors	14	14,884		16,839	
Cash at bank and in hand		21		24	
		14,905		16,863	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	15	(11,529)		(12,731)	
<b>NET CURRENT ASSETS</b>			3,376		4,132
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			8,120		8,909
<b>EQUITY MINORITY INTERESTS</b>			31		(75)
<b>TOTAL NET ASSETS</b>			8,151		8,834
<b>CAPITAL AND RESERVES</b>					
Called up share capital	16		109		109
Share premium account	17		1,162		1,162
Capital redemption reserve	17		2,369		2,369
Merger reserve	17		640		640
Other reserve	17		62		62
Profit and loss account	17		3,809		4,492
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	18		8,151		8,834

These financial statements were approved by the Board of Directors on 20 September 2003

Signed on behalf of the Board



R J C Paterson  
Director




C P Ralph  
Director

PARENT COMPANY BALANCE SHEET  
At 30 June 2003

	Note	2003		2002	
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Intangible assets	11		65		65
Investments	13		4,348		4,344
			<u>4,413</u>		<u>4,409</u>
<b>CURRENT ASSETS</b>					
Debtors	14	4,091		4,600	
		<u>4,091</u>		<u>4,600</u>	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	15	(876)		(2,413)	
<b>NET CURRENT ASSETS</b>			<u>3,215</u>		<u>2,187</u>
<b>TOTAL NET ASSETS</b>			<u>7,628</u>		<u>6,596</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	16		109		109
Share premium account	17		1,162		1,162
Capital redemption reserve	17		2,369		2,369
Other reserve	17		62		62
Profit and loss account	17		3,926		2,894
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>			<u>7,628</u>		<u>6,596</u>

These financial statements were approved by the Board of Directors on 20 September 2003

Signed on behalf of the Board



**R J C Paterson**  
Director



**C P Ralph**  
Director

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 30 June 2003**

	Note	2003 £'000	2002 £'000
<b>Net cash inflow from operating activities</b>	19	3,015	4,953
<b>Return on investments and servicing of finance</b>			
Interest received		503	464
Interest paid		(32)	(26)
<b>Net cash inflow from returns on investments and servicing of finance</b>		471	438
<b>Taxation</b>			
Corporation tax paid		(2,215)	(2,374)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(1,496)	(1,331)
Payments to acquire intangible fixed assets		(5)	(21)
Purchase of investments		(112)	(37)
Receipts from disposal of fixed assets		19	20
<b>Net cash outflow from capital expenditure and financial investment</b>		(1,594)	(1,369)
<b>Acquisitions and disposals</b>			
Sale of business	23	265	-
Cash disposed of with subsidiary		(65)	-
<b>Net cash inflow from acquisitions and disposals</b>		200	-
<b>Equity dividends paid</b>		(2,590)	(2,063)
<b>Net cash outflow before financing</b>		(2,713)	(415)
<b>Financing</b>			
Ordinary shares issued		-	130
Purchase of own shares		-	(155)
Issue of shares to minorities		4	-
<b>Net cash inflow/(outflow) from financing</b>		4	(25)
<b>Decrease in cash in the year</b>	20	(2,709)	(440)

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 30 June 2003

**1. ACCOUNTING POLICIES**

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

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Turnover**

Turnover comprises fees and commissions net of VAT which are brought into account on the exchange of contracts for the property to which they relate. Lettings income is brought into account on a cash received basis. All other income is brought into account on an earned basis.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries. The acquisition accounting method has been applied.

**Acquisitions, disposals and goodwill**

On the acquisition of a business, including an interest in an associated undertaking, fair values are attributed to the group's share of net tangible assets. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill. Goodwill arising on acquisitions prior to 1 July 2000 has been written off to reserves. Such goodwill will be charged to the profit and loss account on any subsequent disposals of the businesses to which it relates.

Purchased goodwill arising on acquisitions since 1 July 2000 is capitalised as an intangible fixed asset and amortised over the anticipated economic life of the goodwill. In respect of the acquisitions since 1 July 2000, the directors consider the useful economic life of the goodwill to be 10 years.

The profit or loss on the disposal of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business not previously charged through the profit and loss account.

The results and cash flows relating to a business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition or up to the date of disposal.

**Investments**

*Investments held as fixed assets are stated at cost less provision for any impairment in value.*

**Intangible fixed assets**

Trademarks are capitalised and written off over their estimated useful lives. The rate of amortisation is 5% per annum.

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 30 June 2003

**1. ACCOUNTING POLICIES (continued)****Joint ventures**

In the group financial statements investments in joint ventures are accounted for using the gross equity method. The consolidated profit and loss account includes the group's share of joint ventures profits less losses while the group's share of the net assets of joint ventures is shown in consolidated balance sheet. Goodwill arising on the acquisition of joint ventures is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in joint ventures.

**Tangible fixed assets**

Depreciation is provided on a straight-line basis to write off each asset, less any estimated residual value, in full over its estimated useful economic life. Freehold land is not depreciated. The rates of depreciation are as follows:

Short leasehold property	life of the lease
Fixtures, fittings and equipment	10% to 33%
Refurbishments	20%
Computer equipment	33% to 50%
Motor vehicles	25%

**Deferred taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**Foreign exchange**

Transactions denominated in foreign currencies are translated into sterling at the rates 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 balance sheet and results of foreign operations are translated into sterling by use of the temporal method in line with the requirements of Statement of Standard Accounting Practice No. 20. Exchange differences arising from this treatment are taken directly to the profit and loss account.



NOTES TO THE FINANCIAL STATEMENTS  
Year ended 30 June 2003

## 1. ACCOUNTING POLICIES (continued)

## Leases

Rentals under operating leases are charged to profit and loss in equal annual amounts over the lease term.

## Pension costs

The company operates a defined contribution scheme. The pension cost represents the contributions payable to the pension scheme in respect of the accounting period.

## 2. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The split of turnover by type of business and geography is as follows:

Class of business	UK £'000	Overseas £'000	2003 Total £'000	UK £'000	Overseas £'000	2002 Total £'000
<i>Continuing operations</i>						
Residential agency	25,421	1,252	26,673	28,249	1,539	29,788
Residential development and investment agency	3,683	330	4,013	5,175	196	5,371
Lettings and management	13,193	104	13,297	12,561	67	12,628
Survey and saleroom	1,851	-	1,851	2,172	-	2,172
Mortgages	1,392	-	1,392	284	-	284
	<u>45,540</u>	<u>1,686</u>	<u>47,226</u>	<u>48,441</u>	<u>1,802</u>	<u>50,243</u>
<i>Discontinued operations</i>						
Residential agency	-	-	-	-	790	790
Lettings and management	-	-	-	-	785	785
Commercial	621	-	621	792	-	792
	<u>621</u>	<u>-</u>	<u>621</u>	<u>792</u>	<u>1,575</u>	<u>2,367</u>
	<u>46,161</u>	<u>1,686</u>	<u>47,847</u>	<u>49,233</u>	<u>3,377</u>	<u>52,610</u>

NOTES TO THE FINANCIAL STATEMENTS  
Year ended 30 June 2003

## 2. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)

The split of profit before tax by type of business and geography is as follows:

Class of business	UK £'000	Overseas £'000	2003 Total £'000	UK £'000	Overseas £'000	2002 Total £'000
<i>Continuing operations</i>						
Residential agency	2,573	(465)	2,108	6,159	(552)	5,607
Residential development and investment agency	(306)	(20)	(326)	1,193	73	1,266
Lettings and management	1,435	(85)	1,350	1,298	(66)	1,232
Survey and saleroom	(186)	-	(186)	(664)	-	(664)
Mortgages	(369)	-	(369)	(379)	-	(379)
Corporate and central costs	(1,747)	-	(1,747)	(1,282)	-	(1,282)
	<u>1,400</u>	<u>(570)</u>	<u>830</u>	<u>6,325</u>	<u>(545)</u>	<u>5,780</u>
<i>Discontinued operations</i>						
Residential agency	-	-	-	-	(292)	(292)
Lettings and management	-	-	-	-	(326)	(326)
Commercial	313	-	313	354	-	354
Corporate and central costs	-	-	-	-	(483)	(483)
	<u>313</u>	<u>-</u>	<u>313</u>	<u>354</u>	<u>(1,101)</u>	<u>(747)</u>
	<u>1,713</u>	<u>(570)</u>	<u>1,143</u>	<u>6,679</u>	<u>(1,646)</u>	<u>5,033</u>

## 3. OPERATING PROFIT

	2003 £'000	2002 £'000
Operating profit is stated after crediting:		
Rent receivable	16	53
And after charging:		
Depreciation - owned assets	1,314	1,398
Goodwill and trademark amortisation	117	131
Loss on disposal of tangible fixed assets	21	57
Auditors' remuneration:		
- group audit fees	43	43
- company audit fee	5	5
- other services	117	119
Rentals under operating leases:		
- hire of plant and machinery	985	957
- other operating leases	<u>2,279</u>	<u>2,196</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 30 June 2003**

<b>4. SHARE OF JOINT VENTURE'S OPERATING LOSS</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Operating loss	(114)	-
Amortisation of goodwill	(5)	-
	<u>(119)</u>	<u>-</u>

**5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES****Directors' emoluments**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Remuneration:		
Salaries and taxable benefits	654	588
Performance related incentive payments	144	181
	<u>798</u>	<u>769</u>

<b>Fees:</b>	<b>£'000</b>	<b>£'000</b>
N M S Rich	66	66
W N Jackson	20	13
D J Lawrence	20	13
	<u>106</u>	<u>92</u>

<b>Emoluments of highest paid director:</b>	<b>£'000</b>	<b>£'000</b>
Salary and taxable benefits	241	198
Performance related incentive payments	100	98
	<u>341</u>	<u>296</u>

The aggregate of pension contributions paid on behalf of the directors was £36,228 (2002: £32,641) of which £18,831 was outstanding at the year end (2002: £5,516). At the year end three directors were members of defined contribution schemes (2002: three directors).

NOTES TO THE FINANCIAL STATEMENTS  
Year ended 30 June 2003

## 5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

## Share options

The share options detailed below were held by directors at the year end:

	Ordinary shares Number	Price	Option period from	Option period to
J R Priestley	140,625	£3.20	2 Oct 01	2 Oct 07

## Employees

	2003 No.	2002 No.
Average number of persons employed by the group in the year	898	925
Staff costs (including directors) incurred during the year in respect of these employees were:	£'000	£'000
Wages and salaries	24,632	25,801
Social security costs	2,511	2,547
Other pension costs	309	276
	27,452	28,624

## 6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2003 £'000	2002 £'000
Bank interest	503	464

## 7. INTEREST PAYABLE AND SIMILAR CHARGES

	2003 £'000	2002 £'000
Bank overdrafts	32	26

NOTES TO THE FINANCIAL STATEMENTS  
Year ended 30 June 2003

8. TAX ON PROFIT ON ORDINARY ACTIVITIES	2003 £'000	2002 £'000
UK corporation tax charge for the year	761	2,261
Deferred taxation	(43)	-
Adjustments in respect of prior periods	15	(24)
<b>Tax on profit on ordinary activities</b>	<b>733</b>	<b>2,237</b>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2002: 30%). The actual tax charge for the current and the previous year differs from the standard rate for the reasons set out in the following reconciliation.

	£'000	£'000
Profit on ordinary activities before tax	1,143	5,033
	£'000	£'000
Profit on ordinary activities at standard rate of tax 30%	343	1,511
Non-deductible expenditure	193	260
Depreciation in excess of capital allowances	85	135
Utilisation of tax losses	68	97
Movement in short-term timing differences	22	20
Adjustments in respect of prior periods	15	(24)
Overseas and joint venture income	50	238
<b>Corporation tax charge for the year</b>	<b>776</b>	<b>2,237</b>

A deferred tax asset of £341,000 (2002: £397,000) has not been recognised in respect of timing differences relating to short-term timing differences as there is insufficient evidence that the assets will be recovered. The asset would be recovered if taxable profits were made in future accounting periods against which the asset would reverse.

## 9. PROFIT OF THE PARENT COMPANY

As permitted by Section 230 of the Companies Act, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's retained profit for the financial year amounted to £1,032,000 (2002: £147,000).

NOTES TO THE FINANCIAL STATEMENTS  
Year ended 30 June 2003

10.	EQUITY DIVIDENDS	2003 £'000	2002 £'000
	9.5p (2002: 28.5p) per ordinary share	<u>1,036</u>	<u>3,108</u>

## 11. INTANGIBLE FIXED ASSETS

The Group	Purchased goodwill £'000	Trademarks £'000	Total £'000
<b>Cost</b>			
At 1 July 2002	1,132	80	1,212
Additions	-	5	5
At 30 June 2003	<u>1,132</u>	<u>85</u>	<u>1,217</u>
<b>Amortisation</b>			
At 1 July 2002	338	15	353
Charge in the year	112	5	117
At 30 June 2003	<u>450</u>	<u>20</u>	<u>470</u>
<b>Net book value</b>			
At 30 June 2003	<u>682</u>	<u>65</u>	<u>747</u>
At 30 June 2002	<u>794</u>	<u>65</u>	<u>859</u>

The Company	Trademarks £'000
<b>Cost</b>	
At 1 July 2002	80
Additions	5
At 30 June 2003	<u>85</u>
<b>Amortisation</b>	
At 1 July 2002	15
Charge in the year	5
At 30 June 2003	<u>20</u>
<b>Net book value</b>	
At 30 June 2003	<u>65</u>
At 30 June 2002	<u>65</u>

NOTES TO THE FINANCIAL STATEMENTS  
Year ended 30 June 2003

## 12. TANGIBLE FIXED ASSETS

The Group	Freehold land £'000	Short leasehold property £'000	Fixtures, fittings and equipment £'000	Refurbish- ments £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>							
At 1 July 2002	25	132	2,475	2,422	3,430	180	8,664
Additions	-	20	294	498	667	17	1,49
Disposals	-	-	(132)	(118)	(223)	(22)	(495)
At 30 June 2003	25	152	2,637	2,802	3,874	175	9,665
<b>Accumulated depreciation</b>							
At 1 July 2002	-	32	1,824	1,256	2,496	138	5,746
Charge for year	-	8	344	425	502	35	1,314
Disposals	-	-	(110)	(72)	(195)	(22)	(399)
At 30 June 2003	-	40	2,058	1,609	2,803	151	6,661
<b>Net book value</b>							
At 30 June 2003	25	112	579	1,193	1,071	24	3,004
At 30 June 2002	25	100	651	1,166	934	42	2,918

## 13. INVESTMENTS HELD AS FIXED ASSETS

	The Group		The Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Subsidiary undertakings	-	-	3,236	3,344
Joint ventures	993	-	-	-
Other investments	-	1,000	1,112	1,000
	993	1,000	4,348	4,344
<b>Subsidiary undertakings (note 25)</b>			<b>Group £'000</b>	<b>Company £'000</b>
At 1 July 2002			-	3,344
Additions			-	4
Disposals (note 23)			-	(112)
At 30 June 2003			-	3,236

NOTES TO THE FINANCIAL STATEMENTS  
Year ended 30 June 2003

## 13. INVESTMENTS HELD AS FIXED ASSETS (continued)

Joint ventures	Group £'000	Company £'000
<b>Share of net assets</b>		
At 1 July 2002	-	-
Additions	887	-
Share of retained loss for the year	(114)	-
At 30 June 2003	773	-
<b>Goodwill</b>		
At 1 July 2002	-	-
Additions	225	-
Amortisation	(5)	-
At 30 June 2003	220	-
<b>Net book value</b>		
At 30 June 2003	993	-
At 30 June 2002	-	-
<b>Other investments</b>	<b>Group £'000</b>	<b>Company £'000</b>
At 1 July 2002	1,000	1,000
Additions	112	112
Reclassified as joint ventures	(1,112)	-
At 30 June 2003	-	1,112

On 31 March 2003 the company increased its investment in Asserta Holdings Limited to 37% (2002: 7%) for a further cash consideration of £112,000. Asserta Holdings Limited has been treated as a joint venture in the consolidated accounts since that date.

Analysis of the group's share of net assets in joint venture undertakings is split as follows:

	£'000
Fixed assets	648
Current assets	1,027
Creditors and provisions	(682)
At 30 June 2003	993



NOTES TO THE FINANCIAL STATEMENTS  
Year ended 30 June 2003

## 13. INVESTMENTS HELD AS FIXED ASSETS (continued)

Details of the share of net assets of Asserta Holdings Limited at the date of acquisition were as follows:

Asserta Holdings Limited	Book amount £'000	Provisional fair value adjustments £'000	Provisional fair value to the group £'000
Fixed assets	479	-	479
Current assets	1,215	-	1,215
Creditors and provisions	(807)	-	(807)
	<u>887</u>	<u>-</u>	<u>887</u>
Goodwill			225
			<u>1,112</u>

## 14. DEBTORS

	The Group		The Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Trade debtors	8,235	10,109	-	-
Amounts owed by group undertakings	-	-	3,691	4,567
Other debtors	1,065	272	400	30
Deferred tax asset	43	-	-	-
Prepayments and accrued income	5,541	6,458	-	3
	<u>14,884</u>	<u>16,839</u>	<u>4,091</u>	<u>4,600</u>

Included in prepayments and accrued income is £209,473 (2002: £717,322) in respect of amounts receivable after more than one year.

Deferred tax asset	2003 £'000	2002 £'000
Balance at 1 July	-	-
Transfer from profit and loss account	43	-
Balance at 30 June	<u>43</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 30 June 2003

**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	The Group		The Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank overdraft	3,142	436	7	1
Trade creditors	2,591	1,838	76	2
Amounts owed to group undertakings	-	-	124	145
Corporation tax	-	1,358	-	-
Other tax and social security	1,607	2,487	-	-
Other creditors	1,130	696	9	10
Accruals and deferred income	2,541	3,844	142	183
Dividends	518	2,072	518	2,072
	<u>11,529</u>	<u>12,731</u>	<u>876</u>	<u>2,413</u>

The bank overdraft is secured by a composite cross guarantee, the amount outstanding at the year end was £3,715,000 (2002: £543,000), and fixed and floating charges on the assets of the group.

**16. CALLED UP SHARE CAPITAL**

	2003		2002	
	No.	£'000	No.	£'000
<b>Authorised</b>				
Ordinary shares of 1p	11,704,140	117	11,704,140	117
'A' ordinary shares of 1p	200	-	-	-
	<u>11,704,340</u>	<u>117</u>	<u>11,704,140</u>	<u>117</u>
	No.	£'000	No.	£'000
<b>Called up, allotted and fully paid</b>				
Ordinary shares of 1p	10,907,014	109	10,907,014	109
'A' ordinary shares of 1p	50	-	-	-
	<u>10,907,064</u>	<u>109</u>	<u>10,907,014</u>	<u>109</u>

During 2002 options to acquire 178,100 ordinary shares of 1p each were exercised giving rise to an increase in share capital of £1,781. The total consideration paid for the shares amounted to £130,547.

The 'A' ordinary shares have very limited voting rights and no rights to dividends. They have value in circumstances where Hamptons Group Limited is floated or sold for more than £35million. Each share attracting 0.1% of such excess.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2003

## 17. STATEMENTS OF MOVEMENTS ON RESERVES

The Group	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserve £'000	Profit and loss account £'000	Total £'000
At 1 July 2002	1,162	2,369	640	62	4,492	8,725
Retained loss for the year	-	-	-	-	(716)	(716)
Goodwill transferred to the profit and loss account	-	-	-	-	33	33
<b>At 30 June 2003</b>	<b>1,162</b>	<b>2,369</b>	<b>640</b>	<b>62</b>	<b>3,809</b>	<b>8,042</b>

The other reserve relates to the amortisation of the difference between the nominal value and fair value of the shares to be issued in connection with share options.

As at 30 June 2003 goodwill written off against profit and loss account reserves amounts to £3,928,000 (2002: £3,961,000).

The Company	Share premium account £'000	Capital redemption reserve £'000	Other reserve £'000	Profit and loss account £'000	Total £'000
At 1 July 2002	1,162	2,369	62	2,894	6,487
Retained profit for the year	-	-	-	1,032	1,032
<b>At 30 June 2003</b>	<b>1,162</b>	<b>2,369</b>	<b>62</b>	<b>3,926</b>	<b>7,519</b>

## 18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Profit for the financial year	320	2,964
Dividends	(1,036)	(3,108)
Purchase of own shares	-	(155)
Issue of share capital	-	130
Shares to be issued	-	21
Goodwill previously written off	33	-
<b>Net reduction in shareholders' funds</b>	<b>(683)</b>	<b>(148)</b>
Opening shareholders' funds	8,834	8,982
<b>Closing shareholders' funds</b>	<b>8,151</b>	<b>8,834</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2003

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

	2003 £'000	2002 £'000
Operating profit	770	5,078
Depreciation of tangible fixed assets	1,314	1,398
Amortisation of goodwill and trademarks	117	131
Loss on disposal of tangible fixed assets	21	57
Decrease/(increase) in debtors	964	(2,051)
(Increase)/decrease in creditors	(171)	340
<b>Net cash inflow from operating activities</b>	<b>3,015</b>	<b>4,953</b>

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

	2003 £'000	2002 £'000
Decrease in cash in year	(2,709)	(440)
Change in net debt resulting from cash flows	(2,709)	(440)
Net (debt)/funds at beginning of year	(412)	28
<b>Net debt at end of year</b>	<b>(3,121)</b>	<b>(412)</b>

## 21. ANALYSIS OF CHANGES IN NET DEBT

	At 1 July 2002 £'000	Cash flow £'000	At 30 June 2003 £'000
Cash at bank and in hand	24	(3)	21
Bank overdraft	(436)	(2,706)	(3,142)
<b>Net debt</b>	<b>(412)</b>	<b>(2,709)</b>	<b>(3,121)</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2003

## 22. OPERATING LEASE COMMITMENTS

At 30 June 2003 the group was committed to making the following payments during the next year in respect of operating leases:

	2003		2002	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases which expire:				
- within one year	233	191	292	104
- within two to five years	562	914	477	885
- after five years	1,311	-	1,314	-
	<u>2,106</u>	<u>1,105</u>	<u>2,083</u>	<u>989</u>

## 23. SALE OF SUBSIDIARY UNDERTAKINGS

On 11 October 2002 the group sold its 70% interest in the ordinary share capital of Hamptons International Commercial Limited.

The results of the above company have been shown under discontinued operations. The cash effect of the disposal is shown below:

	2003 £'000
Tangible fixed assets	56
Debtors	1,200
Cash	65
Creditors	(825)
<b>Net assets</b>	<u>496</u>
Minority interest	(200)
Related goodwill	33
Profit on disposal	21
<b>Sale proceeds</b>	<u>350</u>
	<b>£'000</b>
<b>Satisfied by:</b>	
Cash	265
Deferred consideration	85
	<u>350</u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2003

## 24. PENSION SCHEMES

The group operates defined contribution pension schemes as well as contributing to other private schemes. The assets of the defined contribution schemes are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds and other private schemes and amounted to £308,522 for the year (2002: £276,415).

An amount of £115,940 (2002: £58,653) is included in creditors being outstanding contributions at the balance sheet date.

## 25. ADDITIONAL INFORMATION ON SUBSIDIARIES

Subsidiary undertakings	Country of incorporation, registration and operation	Principal activity	Portion of ordinary shares held %
HGL Estate Agents (Spain) SL	Spain	Dormant	100
Hamptons E-Finance Limited	England	Dormant	90
Hamptons Estates Limited	England	Estate Agency	100
Hamptons Gothard & Trevor Limited	Jersey	Dormant	100
Hamptons International (Hong Kong) Limited	Hong Kong	Estate Agency	100
Hamptons International & Partners LLC	Oman	Estate Agency	60
Hamptons International Mortgages Limited	England	Mortgage Brokerage	88
Hamptons Property Consultancy Limited	Barbados	Estate Agency	75
The London Residential Agency Limited	England	Dormant	100
Sadler & Hamptons - Mediacao Imobiliaria Lda	Portugal	Estate Agency	51

## 26. EARNINGS PER ORDINARY SHARE

The calculation of the earnings per share is based on the weighted average number of shares in issue during the financial year of 10,907,014 (2002: 10,818,049) and on the profits attributable to ordinary shareholders of £320,000 (2002: £2,964,000).

## 27. TRANSACTIONS WITH RELATED PARTIES

Hamptons has a lease in Gay Street, Bath; the freehold of this property was held by Mr C G Palmer, a director of Hamptons Group Limited. Mr C G Palmer disposed of the freehold interest during the year. The lease payments were on an arm's length basis.

The company has taken advantage of the exemption contained in Financial Reporting Standard No. 8 from the requirement to disclose related party transactions within the group.