Deloitte & Touche

Deloitte Touche Tohmatsu

Company Registration No. 3145691

6

HAMPTONS GROUP LIMITED

Report and Financial Statements

Year ended 30 June 1998

Deloitte & Touche
Queen Anne House
69-71 Queen Square
Bristol
BS1 4JP

HAMPTONS GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 1998

CONTENTS

Deloitte & Touche

Deloitte Touche Tohmatsu

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

N M S Rich CBE, FCA (appointed 19 September 1997)
R J C Paterson
C G Palmer FRICS
R B Hicklin
A M R Reid FCA
W N Jackson
D J Lawrence FRICS (appointed 19 September 1997)
M Warshaw (resigned 31 October 1997)

SECRETARY

A J Richards

REGISTERED OFFICE

7 Lower Sloane Street
Chelsea
London
SW1W 8AH

BANKERS

National Westminster Bank plc
65 Piccadilly
London
W1A 2PP

SOLICITORS

Travers Smith Braithwaite
10 Snow Hill
London
EC1A 2AL

AUDITORS

Deloitte & Touche
Chartered Accountants
Queen Anne House
69-71 Queen Square
Bristol
BS1 4JP

CHAIRMAN'S STATEMENT

I am delighted to report that the Hamptons Group has achieved profits before tax of £4 million for the year ended 30 June 1998, an increase of 8% over last year. The Board has declared a first ever dividend of 90 pence per share.

It has been an exciting year in the development of the Group. The programme of rebranding and refurbishing the branch offices has continued. The Residential Agency division and the Lettings and Property Management division both reported higher revenues and operating profits. The specialist Residential Estates Management department, based in central London, has doubled in size and acquired substantial new clients. Hamptons International Commercial was formed at the end of 1997 in association with John Slade to transact commercial property investment and development business.

Hamptons is dedicated to providing a first class service to its customers and to achieve this, considerable effort goes into staff training. We employ nearly 700 people every one of whom is critical to the success of the Group and to the service we provide, and the Board is very grateful for their contribution.

I became Chairman in October 1997 following the retirement of Michael Warshaw, who made a considerable contribution to the early success of the Group. David Lawrence joined the Board in September 1997 to represent the interests of Marco Polo Developments Limited, which (through its subsidiary, Firstbilt Pte Limited) acquired a 33% shareholding in Hamptons Group Limited at that time.

The next 12 months will be turbulent for economies all around the world and we will inevitably be affected. However, if we can continue to deliver the products and services that our clients want, I am confident that Hamptons will continue to develop as one of the UK's leading estate agency businesses.

Nigel Rich

N M S Rich
Chairman

8 October 1998

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 June 1998.

ACTIVITIES

Hamptons Group Limited is the parent company of a group of companies providing estate agency services.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

During its second full year of operations the Group built on the process of integrating the two businesses it acquired in 1996, comprising the 41 office Hamptons estate agency and the six offices of The London Residential Agency Limited. Good progress was also made with the branch refurbishment programme commenced in 1997 and the implementation of advanced computer systems throughout the branch network. Through marketing initiatives, the Group further enhanced the public's awareness of the Hamptons brand name, building on its reputation for excellence of service and quality properties.

There has been a marked slow-down in the UK housing market since the third quarter of 1997, particularly within London, reflected in a 9.9% overall decrease in the number of contracts exchanged through the UK residential agency offices in the year. This compares with a general decrease in transaction numbers reported by HM Land Registry of 13.3% in the areas in which the Group operates. The volume decrease was however more than offset by an 18% increase in the average price of houses sold through the Group, combined with success in holding commission rates at the same level as in 1997 despite competitive pressures. As a result, total commission income of the UK residential agency offices for the year rose by 6.8%.

The instability of the Asian economies since the autumn of 1997 has resulted in the virtual disappearance of the far eastern investor purchaser from the London residential property market. This has impacted significantly on the new developments sector, and although developers have now concentrated their marketing to UK purchasers, the Group's London Residential Investment and Development Consultancy Division experienced a substantial shortfall of commission income from the expectations at the start of the financial year. In the six months to June 1998 the division sold property with a value of £40 million, of which 18% was to Asian investors, compared to £80 million in the same six months of 1997, of which 60% was to Asian investors.

Other divisions had a successful year. The Lettings and Property Management Division experienced a 13% increase in revenues compared with 1997, and the results of the Professional Services Division and the two Fine Arts Salerooms, together having fee income of £1.9 million (6.6% of total group income), were in line with expectations. In November 1997, the Group set up a specialist commercial investment consultancy through a newly-incorporated subsidiary, Hamptons International Commercial Limited (in which Hamptons Group Limited has an 85% equity interest). This operation has made an excellent start and reported a pre-tax profit in its first seven months' trading to 30 June 1998 of £130,000 on turnover of £490,000.

The progressive increases in UK interest rates since the spring of 1997 and increasing nervousness about the prospects for the UK and global economies have begun to impact on the UK housing market and there are now signs of reductions in property prices following the strong growth in prices since 1996. However, the Group's residential sales pipeline business (where sales have been agreed subject to contract) at the year end was some 17% higher than in June 1997 and the stock of property for sale (by number of houses) some 18% higher.

DIRECTORS' REPORT (continued)

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS (continued)

In the 1998/99 financial year, while a slow down in the residential market is anticipated, the Group expects to see increased sales of new homes and continued development in its lettings and property management business. However, a further decline in world stockmarkets could impact our expectations.

RESULTS AND DIVIDENDS

The Group made a profit after tax of £2.7 million in the year to 30 June 1998 (1997 - £2.4m). The directors recommend payment of an equity dividend of 90 pence per share (1997 - nil). Non-equity dividends of £42,000 were paid during the year representing the 8% dividend on the cumulative preference shares for the period from 1 July 1997 to the date of redemption of the shares (1997 - £189,000).

DIRECTORS AND THEIR INTERESTS

The present membership and details of changes in the membership of the Board are set out on page 1.

N M S Rich CBE was appointed non executive Chairman in succession to M Warshaw on 29 October 1997.

W N Jackson and D J Lawrence FRICS are non executive directors.

The directors' interests in the ordinary shares of the company at 30 June 1998 and 30 June 1997 were:

	Ordinary shares 10p each	
	30 June 1998	**30 June 1997**
N M S Rich CBE, FCA	11,111	-
R J C Paterson	214,204	227,093
R B Hicklin	10,080	10,080
A M R Reid FCA	13,644	13,644

In addition to the directors' interests above, details of the share options granted during the year are disclosed in Note 5 to the accounts.

At 30 June 1998, C G Palmer may be regarded as interested in 136,442 Ordinary shares of 10p each as he and members of his family are potential or contingent beneficiaries under the terms of the trust deed constituting the Galapino trust dated 19 February 1997 (136,442 "B" Preferred Ordinary shares of 10p each and 863,558 Cumulative Redeemable Preference shares of £1 each as at 30 June 1997).

At 30 June 1998, Nat West Ventures Nominees Limited held 114,498 Ordinary shares of 10p each (1,500,000 Cumulative Redeemable Preference shares of £1 each at 30 June 1997) and Nat West Ventures Investments Limited held 158,858 (328,825 at 30 June 1997) Ordinary shares of 10p each. W N Jackson, a director of the company, has an indirect interest in those shares as a director of both Nat West Ventures Nominees Limited and Nat West Ventures Investments Limited.

At 30 June 1998, Firstbilt Pte Limited held 353,416 Ordinary shares of 10p each (Nil at 30 June 1997). D J Lawrence, a director of the company, has an indirect interest in those shares as a director of Firstbilt Pte Limited.

DIRECTORS' REPORT (continued)

DISABLED PERSONS

It is the company'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 company who become disabled to continue in their employment or to be trained for other positions in the company.

EMPLOYEES

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

CHARITABLE AND POLITICAL CONTRIBUTIONS

The company made charitable contributions of £4,626 (1997 - £7,000) during the year.

The company made no political contributions during the year.

YEAR 2000 AND PREPARATION FOR THE INTRODUCTION OF THE EURO

The issue of year 2000 compliant software is under constant review. During the year a project team was established and action plans developed to determine the status of software and hardware compliance within the company, and to propose solutions to minimise any potential problems. Upgrades and replacements of software and hardware will be undertaken as necessary, as part of the company's normal IT development programme, where non-compliance is identified. Appropriate steps are being taken to protect the company's business operations from disruption as a result of year 2000 problems: major suppliers have been asked to confirm the status of their systems, but in common with other businesses the company cannot be certain that its suppliers and third parties are themselves fully compliant.

The non-computer-related implications of year 2000 on all business disciplines within the company are also being considered, and action plans developed to minimise any potential effect on operations.

AUDITORS

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

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

AMR Reid

A M R Reid FCA
Director

8 October 1998

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Deloitte & Touche

Deloitte Touche Tohmatsu

AUDITORS' REPORT TO THE MEMBERS OF

HAMPTONS GROUP LIMITED

We have audited the financial statements on pages 8 to 28 which have been prepared under the accounting policies set out on pages 12 and 13.

Respective responsibilities of directors and auditors

As described on page 6 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 June 1998 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte + Touche

DELOITTE & TOUCHE
Chartered Accountants
and Registered Auditors

8 October 1998

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 30 June 1998

	Note	1998 £'000	1997 £'000
TURNOVER - continuing operations	3	28,692	26,983
Administrative expenses		(25,279)	(23,467)
Other operating income		43	50
OPERATING PROFIT - continuing operations	4	3,456	3,566
Interest receivable and similar income	6	668	324
Interest payable and similar charges	7	(113)	(176)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,011	3,714
Tax on profit on ordinary activities	8	(1,279)	(1,308)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		2,732	2,406
Equity minority interests		(13)	-
PROFIT FOR THE FINANCIAL YEAR		2,719	2,406
Equity dividends	10	(956)	-
Non-equity dividends	10	(42)	(197)
Retained profit for the financial year	20	1,721	2,209

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.

The comparative profit and loss account, balance sheet and cash flow statement are prepared for the 12 months to 30 June 1997 and include the results of The London Residential Agency Limited for the full 12 months.

In order to meet statutory requirements a separate comparative consolidated profit and loss account is produced for the period from incorporation of Hamptons Group Limited on 12 January 1996 to 30 June 1997 (see page 25).

Deloitte & Touche

Deloitte Touche Tohmatsu

CONSOLIDATED BALANCE SHEET
30 June 1998

	Note	1998 £'000	1997 £'000
FIXED ASSETS			
Intangible fixed assets	11	29	20
Tangible assets	12	1,675	1,723
		1,704	1,743
CURRENT ASSETS			
Debtors	14	9,670	7,161
Cash at bank and in hand		650	2,470
		10,320	9,631
CREDITORS: amounts falling due within one year	15	(8,440)	(7,176)
NET CURRENT ASSETS		1,880	2,455
TOTAL ASSETS LESS CURRENT LIABILITIES		3,584	4,198
CREDITORS: amounts falling due after more than one year	16	(140)	(34)
Provision for liabilities and charges	18	(99)	(199)
EQUITY MINORITY INTERESTS		(63)	-
TOTAL NET ASSETS		3,282	3,965
CAPITAL AND RESERVES			
Called up share capital	19	106	2,470
Share premium account	20	520	520
Capital redemption reserve	20	2,364	-
Goodwill reserve	20	(2,189)	(2,149)
Merger reserve	20	640	640
Profit and loss account	20	1,841	2,484
TOTAL SHAREHOLDERS' FUNDS	21	3,282	3,965
Attributable to equity shareholders		3,282	1,602
Attributable to non-equity shareholders		-	2,363

These financial statements were approved by the Board of Directors on 8 October 1998.
Signed on behalf of the Board of Directors

R J C Paterson

A M R Reid

R J C Paterson   A M R Reid FCA

Deloitte & Touche

Deloitte Touche Tohmatsu

PARENT COMPANY BALANCE SHEET
30 June 1998

	Note	1998 £'000	1997 £'000
FIXED ASSETS			
Intangible fixed assets	11	29	20
Investments	13	3,129	2,994
		3,158	3,014
CURRENT ASSETS			
Debtors	14	4,104	3,940
Cash at bank and in hand		-	445
		4,104	4,385
CREDITORS: amounts falling due within one year	15	(4,020)	(1,566)
NET CURRENT ASSETS		84	2,819
TOTAL NET ASSETS		3,242	5,833
CAPITAL AND RESERVES			
Called up share capital	19	106	2,470
Share premium account	20	520	520
Capital redemption reserve	20	2,364	-
Profit and loss account	20	252	2,843
TOTAL SHAREHOLDERS' FUNDS		3,242	5,833
Attributable to equity shareholders		3,242	3,470
Attributable to non-equity shareholders		-	2,363

These financial statements were approved by the Board of Directors on 8 October 1998.
Signed on behalf of the Board of Directors

R J C Paterson

A M R Reid FCA

CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 June 1998

	Note	£'000	1998 £'000	£'000	1997 £'000
Net cash inflow from operating activities	22		2,330		2,927
Return on investments and servicing of finance					
Interest received		668		307	
Interest paid		(113)		(227)	
Non-equity dividends paid		(256)		(8)	
Net cash inflow from returns on investments and servicing of finance			299		72
Taxation					
Corporation tax paid (including advance corporation tax)			(155)		(177)
Capital expenditure					
Purchase of fixed assets		(955)		(781)	
Sale of fixed assets		124		108	
Net cash outflow from capital expenditure			(831)		(673)
Acquisitions and disposals	25				
Purchase of subsidiary undertaking		(135)		-	
Net cash acquired with subsidiary		145		-	
Net cash inflow from acquisitions			10		-
Net cash inflow before financing			1,653		2,149
Financing					
Bank loans entered into		-		1,800	
Bank loan repayment		(1,300)		(2,800)	
Capital element of finance lease and hire purchase rental repayments		(123)		(33)	
Finance leases entered into		314		-	
Net proceeds of share issue		-		188	
Redemption of preference shares		(2,364)		-	
Net cash outflow from financing			(3,473)		(845)
(Decrease)/increase in cash in year	23		(1,820)		1,304

NOTES TO THE ACCOUNTS
Year ended 30 June 1998

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 to account on an earned basis.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries.

Acquisitions and disposals

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 and is written off directly to reserves in the year of acquisition.

The profit and loss on the disposal of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business.

Intangible fixed assets

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

Tangible fixed assets

Depreciation is provided on a straight line basis to write off each asset fully over its estimated useful economic life. Freehold land is not depreciated. The rates of depreciation are as follows:

Property refurbishments	20%
Fixtures, fittings and equipment	10 - 33%
Computer equipment	33%
Motor vehicles	25%

Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

NOTES TO THE ACCOUNTS
Year ended 30 June 1998

1. ACCOUNTING POLICIES (continued)

Foreign exchange

Transactions of UK companies 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.

Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

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. ACQUISITIONS AND GOODWILL

On 10 November 1997, the company acquired 85% of the issued share capital of Hamptons International Commercial Limited for £135,000. The acquisition was accounted for using the acquisition method of accounting. Hamptons Group Limited's share of the fair value of the net assets of Hamptons International Commercial Limited on that date were £95,000 and hence the amount of goodwill arising as a result of the acquisition was £40,000. The goodwill was written off in accordance with the accounting policy stated in note 1.

The results of Hamptons International Commercial Limited for the period from acquisition to 30 June 1998, which are included within the consolidated profit and loss account on page 8, are:

	£'000
Turnover	490
Operating profit	130

3. TURNOVER

In the opinion of the directors, the disclosure of turnover attributable to each class and geographical market of the company's business would be seriously prejudicial to the company's interests, due to the highly competitive nature of the business in which the company operates.

NOTES TO THE ACCOUNTS
Year ended 30 June 1998

4. OPERATING PROFIT

	1998 £'000	1997 £'000
Operating profit is stated after crediting:		
Rent receivable	43	50
Profit on disposal of tangible fixed assets	4	97
And after charging:		
Depreciation:		
Owned assets	730	676
Leased assets	143	36
Auditors' remuneration:		
Audit fees	38	42
Other services	65	117
Rentals under operating leases:		
Hire of plant and equipment	391	247
Other operating leases	1,508	1,512

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1998 £'000	1997 £'000
Directors' emoluments:		
Fees	67	29
Remuneration:		
Salaries and taxable benefits	442	384
Performance related incentive payments	198	177
	707	590

The aggregate of pension contributions paid on behalf of the four directors who are members of the defined contribution scheme was £18,504 (1997 -£35,000).

Fees are analysed as follows:

	1998 £'000	1997 £'000
N M S Rich CBE, FCA	39	-
W N Jackson	12	12
M Warshaw	6	17
D J Lawrence	10	-
	67	29

N M S Rich was appointed non-executive Chairman in succession to M Warshaw on 29 October 1997.

NOTES TO THE ACCOUNTS
Year ended 30 June 1998

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	1998 £'000	1997 £'000
Emoluments of highest paid director:		
Salary and taxable benefits	175	147
Performance related incentive payments	97	98
	272	245

Contributions made to the defined contribution scheme in respect of the highest paid director were £Nil (1997 - £13,000).

Share options

The share options detailed below were granted to directors during the year. No share options have been exercised during the year.

	Ordinary shares No.	Price £	Option period From	To
N M S Rich CBE, FCA	8,000	12.50	19/9/99	19/9/04
R B Hicklin	7,367	7.33	1/12/97	31/8/99
A M R Reid FCA	13,276	7.33	1/8/98	31/8/99
A M R Reid FCA	8,192	7.33	1/8/99	31/8/00

Employees

	No.	No.
Average number of persons employed by the group in the year	691	583

	1998 £'000	1997 £'000
Staff costs (including directors) incurred during the year in respect of these employees were:		
Wages and salaries	12,894	11,551
Social security costs	1,243	1,105
Other pension costs	166	174
	14,303	12,830

NOTES TO THE ACCOUNTS
Year ended 30 June 1998

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	1998 £'000	1997 £'000
Bank interest	668	324

7. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £'000	1997 £'000
On bank overdrafts and other financing:		
Repayable within five years, not by instalments	92	167
On finance leases and hire purchase contracts	21	9
	113	176

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £'000	1997 £'000
United Kingdom corporation tax at 31% (1997 - 33%) based on the profit for the year	1,360	1,351
Deferred taxation (note 18)	54	(53)
Overseas taxation	-	7
Adjustment to prior years' tax provisions:		
Current taxation	(135)	3
	1,279	1,308

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 profit for the financial year amounted to £770,000 (1997 - £3,327,000).

10. DIVIDENDS

	1998 £'000	1997 £'000
Hamptons Group Limited:		
90 pence per Ordinary share - proposed	956	-
8% cumulative preference dividend on non equity shares - paid	42	189
The London Residential Agency Limited:		
Cumulative convertible participating preferred ordinary shares paid	-	8
	998	197

NOTES TO THE ACCOUNTS
Year ended 30 June 1998

11. INTANGIBLE FIXED ASSETS

	Trademarks
The group and company	**£'000**
Cost	
At 1 July 1997	21
Purchased in the year	10
At 30 June 1998	31
Amortisation	
At 1 July 1997	1
Charge in year	1
At 30 June 1998	2
Net book value	
At 30 June 1998	29
At 30 June 1997	20

12. TANGIBLE FIXED ASSETS

	Freehold land £'000	Short leasehold property £'000	Fixtures, fittings and equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 July 1997	25	2,127	1,586	1,380	1,359	6,477
Additions	-	-	460	459	26	945
Disposals	-	(46)	(149)	(464)	(403)	(1,062)
At 30 June 1998	25	2,081	1,897	1,375	982	6,360
Accumulated depreciation						
At 1 July 1997	-	2,094	900	773	987	4,754
Charge for year	-	11	290	377	195	873
Disposals	-	(35)	(130)	(393)	(384)	(942)
At 30 June 1998	-	2,070	1,060	757	798	4,685
Net book value						
At 30 June 1998	25	11	837	618	184	1,675
At 30 June 1997	25	33	686	607	372	1,723

The net book values include amounts of fixtures, fittings and equipment £141,774 (1997 - Nil), computer equipment £115,778 (1997 - £Nil) and motor vehicles £73,538 (1997 - £100,000) in respect of assets held under finance leases and hire purchase contracts.

NOTES TO THE ACCOUNTS
Year ended 30 June 1998

13. INVESTMENTS HELD AS FIXED ASSETS

Shares in subsidiary undertakings at cost

	£'000
The company	
At 1 July 1997	2,994
Additions	135
At 30 June 1998	3,129

Details of subsidiary undertakings are shown in Note 29.

14. DEBTORS

	The group		The company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Trade debtors	5,248	4,659	-	-
Amounts due from subsidiaries	-	-	2,953	3,792
Other debtors	1,333	86	1,150	7
Group relief recoverable	-	-	-	139
Prepayments and accrued income	3,089	2,416	1	2
	9,670	7,161	4,104	3,940

Included in other debtors and accrued income is £239,000 (1997 - £nil) and £141,000 (1997 - £373,000) respectively of amounts receivable after more than one year.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The group		The company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Bank loans (note 17)	-	1,300	-	1,300
Bank overdraft	-	-	783	-
Obligations under finance leases and hire purchase contracts (note 17)	119	34	-	-
Trade creditors	1,095	1,141	1	-
Amount due to subsidiaries	-	-	2,121	-
Corporation tax	2,666	1,557	-	-
Other tax and social security	1,435	915	141	-
Other creditors	78	84	-	-
Accruals and deferred income	2,091	1,889	18	10
Accrued dividends - equity	956	-	956	-
Accrued dividends - non equity	-	256	-	256
	8,440	7,176	4,020	1,566

NOTES TO THE ACCOUNTS
Year ended 30 June 1998

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

	The group		The company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Obligations under finance lease and hire purchase agreements (note 17)	140	34	-	-
	140	34	-	-

17. BORROWINGS

	The group		The company	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Bank loans	-	1,300	-	1,300
Obligations under finance lease and hire purchase agreements	259	68	-	-
	259	1,368	-	1,300
Due within one year	119	1,334	-	1,300
Due after more than one year	140	34	-	-
	259	1,368	-	1,300
Analysis of loan repayments:				
Bank loans				
Within one year or on demand	-	1,300	-	1,300
Obligations under finance lease and hire purchase agreements:				
Within one year or on demand	119	34	-	-
Within two to five years	140	34	-	-
	259	1,368	-	1,300

Obligations under finance lease and hire purchase agreements are secured on the related assets.

NOTES TO THE ACCOUNTS
Year ended 30 June 1998

18. PROVISIONS FOR LIABILITIES AND CHARGES

The group

	Deferred tax £'000	Pension £'000	Other £'000	Total £'000
At 1 July 1997	(54)	10	243	199
Charge for the period	68	-	63	131
Release to profit and loss	(14)	(10)	(207)	(231)
At 30 June 1998	-	-	99	99

19. CALLED UP SHARE CAPITAL

	No. '000	1998 £'000	No. '000	1997 £'000
Authorised				
Ordinary shares of 10p	1,170	117	468	47
"A" Preferred Ordinary shares of 10p	-	-	566	57
"B" Preferred Ordinary shares of 10p	-	-	136	14
Cumulative Redeemable Preference shares of £1	-	-	2,363	2,363
	1,170	117	3,533	2,481
Called up, allotted and fully paid				
Ordinary shares of 10p	1,062	106	360	36
"A" Preferred Ordinary shares of 10p	-	-	566	57
"B" Preferred Ordinary shares of 10p	-	-	136	14
Cumulative Redeemable Preference shares of £1	-	-	2,363	2,363
	1,062	106	3,425	2,470

On 19 September 1997, the 2,363,558 Cumulative Redeemable Preference shares of £1 each were redeemed in full at par and the accrued dividends in respect of the period 1 July 1997 to 19 September 1997 were paid. An amount of £2,363,558 was transferred to a capital redemption reserve in accordance with the Companies Act 1985. Also on 19 September 1997 written resolutions were passed and the share capital of the company restructured as follows:

1. The 565,825 "A" Preferred Ordinary shares of 10p each and the 136,442 "B" Preferred Ordinary shares of 10p each were consolidated into one share of £70,226.70, and the one share of £70,226.70 was subdivided into 702,267 Ordinary shares of 10p each;
2. The 2,363,558 Preference shares which remained authorised but unissued following Redemption were cancelled.

On the same day new Articles of Association of the Company were adopted.

NOTES TO THE ACCOUNTS
Year ended 30 June 1998

19. CALLED UP SHARE CAPITAL (continued)

During the year the company issued share options which if exercised would result in an increase in the issued share capital of 92,052 Ordinary shares of 10p each. The total subscription price of these shares amounts to £724,365.

20. STATEMENTS OF MOVEMENTS ON RESERVES

	Share Premium account £'000	Capital redemption reserve £'000	Goodwill reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
The group						
Balance at 1 July	520	-	(2,149)	640	2,484	1,495
Profit retained for the year	-	-	-	-	1,721	1,721
Write off of goodwill	-	-	(40)	-	-	(40)
Redemption of preference shares	-	2,364	-	-	(2,364)	-
Balance at 30 June	520	2,364	(2,189)	640	1,841	3,176
The company						
Balance at 1 July	520	-	-	-	2,843	3,363
Loss for the year	-	-	-	-	(227)	(227)
Redemption of preference shares	-	2,364	-	-	(2,364)	-
Balance at 30 June	520	2,364	-	-	252	3,136

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £'000	1997 £'000
Profit for the financial year	2,719	2,406
Dividends	(998)	(197)
Transfer to capital redemption reserve	(2,364)	-
	(643)	2,209
Issue of shares	-	188
Goodwill written off	(40)	-
Net addition to shareholders' funds	(683)	2,397
Opening shareholders' funds	3,965	1,568
Closing shareholders' funds	3,282	3,965

NOTES TO THE ACCOUNTS
Year ended 30 June 1998

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

	1998 £'000	1997 £'000
Operating profit	3,456	3,566
Depreciation	873	712
Profit on sale of tangible fixed assets	(4)	(97)
Increase in debtors	(2,311)	(1,708)
Increase in creditors	316	454
Net cash inflow from operating activities	2,330	2,927

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

	1998 £'000	1997 £'000
(Decrease)/increase in cash in year	(1,820)	1,304
Cash inflow from increase in debt and lease and hire purchase financing	1,423	1,033
Change in net debt resulting from cash flows	(397)	2,337
New finance lease and hire purchase obligations	(314)	-
Movement in net debt in year	(711)	2,337
Net funds/(debt) at beginning of year	1,102	(1,235)
Net funds at end of year	391	1,102

24. ANALYSIS OF NET DEBT

	1998 £'000	1997 £'000
Cash at bank and in hand	650	2,470
Debt due within one year	-	(1,300)
Finance lease and hire purchase obligations	(259)	(68)
Net funds	391	1,102

NOTES TO THE ACCOUNTS
Year ended 30 June 1998

25. PURCHASE OF SUBSIDIARY UNDERTAKING

	1998 £'000	1997 £'000
Net assets acquired:		
Cash at bank	145	-
Minority interest	(50)	-
	95	-
Goodwill	40	-
	135	-
Satisfied by:		
Cash	135	-

26. OPERATING LEASE COMMITMENTS

At 30 June 1998 the group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings £'000	Other £'000
Leases which expire:		
Within one year	74	16
Within two to five years	418	385
After five years	1,089	-
	1,581	401

27. CAPITAL COMMITMENTS

At 30 June 1998 the group was committed to capital expenditure of £10,854.

28. PENSION SCHEMES

The company operates a defined contribution pension scheme as well as contributing to other private schemes. The assets of the defined contribution scheme are held separately from those of the companies in independently administered funds. The pension cost charge represents contributions payable by the group to the fund and other private schemes and amounted to £166,034 for the year (1997 - £173,634).

An amount of £58,689 (1997 - £83,622) is included in creditors being outstanding contributions at the balance sheet date.

NOTES TO THE ACCOUNTS
Year ended 30 June 1998

29. ADDITIONAL INFORMATION ON SUBSIDIARIES

Subsidiary undertakings	Country of incorporation, registration and operation	Activity	Portion of ordinary shares held %
Hamptons (Holdings) Limited	England	Dormant	100
Hamptons Estates Limited	England	Estate Agency	100
Hamptons Gothard & Trevor Limited	Jersey	Estate Agency	100
The London Residential Agency Limited	England	Dormant	100
The London Residential Agency (Financial Services) Limited	England	Dormant	100
HGL Estate Agents (Spain), S.L.	Spain	Dormant	100
Hamptons International PTE Limited	Singapore	Dormant	100
Hamptons International Commercial Limited	England	Commercial property	85

Hamptons International Commercial Limited was incorporated on 19 September 1997.

30. TRANSACTIONS WITH RELATED PARTIES

1. Prior to 30 June 1997 Hamptons Estates Limited acquired and paid for an asset from C G Palmer, a director and shareholder in Hamptons Group Limited for £35,000. The asset was sold by the Company shortly after 30 June 1997 for £28,000.

2. W N Jackson is a director of Nat West Ventures Nominees Limited, a company which holds 114,498 Ordinary shares in Hamptons Group Limited.

   Nat West Ventures Nominees Limited is connected with National Westminster Bank plc with whom the Group had a term loan during the year and operates commercial banking arrangements on an arms length basis.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Period from incorporation on 12 January 1996 to 30 June 1997

	Note	£'000
TURNOVER - acquisitions	31	34,725
Administrative expenses		(30,807)
Other operating income		65
OPERATING PROFIT - acquisitions	32	3,983
Interest receivable and similar income	34	412
Interest payable and similar charges	35	(241)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,154
Tax on profit on ordinary activities	36	(1,584)
PROFIT FOR THE FINANCIAL PERIOD		2,570
Preference dividends	38	(283)
Retained profit for the financial period		2,287

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

NOTES TO THE ACCOUNTS
Period from incorporation on 12 January 1996 to 30 June 1997

31. TURNOVER

In the opinion of the directors, the disclosure of turnover attributable to each class and geographical market of the company's business would be seriously prejudicial to the company's interests, due to the highly competitive nature of the business in which the company operates.

32. OPERATING PROFIT

	£'000
Operating profit is after crediting:	
Rent receivable	65
Profit on disposal of tangible fixed assets	100
And after charging:	
Depreciation:	
Owned assets	892
Leased assets	33
Exceptional charge	233
Auditors' remuneration:	
- Audit fees	62
- Other services	125
Rentals under operating leases:	
Hire of plant and equipment	268
Other operating leases	1,512

The exceptional depreciation charge arose as a result of changes in the rate of depreciation of other building expenditure and basis of depreciating additions which would in the opinion of the directors, have resulted in future results being materially distorted.

33. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	£'000
Directors' emoluments	
Fees	39
Remuneration:	
Salaries and taxable benefits	471
Performance related incentive payments	227
	737

Fees amounting to £38,667 relate to emoluments of the Chairman and non-executive director and were paid to companies with which they are associated.

The aggregate of pension contributions paid by the four directors who are members of the defined contribution scheme was £35,000.

NOTES TO THE ACCOUNTS
Period from incorporation on 12 January 1996 to 30 June 1997

33. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

Emoluments of highest paid director:

Remuneration:	
Salary and taxable benefits	176
Performance related incentive payments	123
	299

Contributions made to the defined contribution scheme in respect of the highest paid director were £13,000.

Employees:

	No.
Average number of persons employed by the group in the period	544

	£'000
Staff costs incurred during the period in respect of these employees were:	
Wages and salaries	14,003
Social security costs	1,222
Other pension costs	217
	15,442

34. INTEREST RECEIVABLE AND SIMILAR INCOME

	£'000
Bank interest	412

35. INTEREST PAYABLE AND SIMILAR CHARGES

	£'000
On bank overdrafts and other financing:	
Repayable within five years, not by instalments	230
On finance leases and hire purchase contracts	9
Other	2
	241

NOTES TO THE ACCOUNTS
Period from incorporation on 12 January 1996 to 30 June 1997

36. TAX ON PROFIT ON ORDINARY ACTIVITIES

	£'000
United Kingdom corporation tax at 32.6% based on the profit for the period	1,630
Deferred taxation	(53)
Overseas taxation	7
	1,584

The total tax charge is 38% of profit before tax. The tax charge is high due to disallowable expenditure, deferred tax assets which have not been provided and the incidence of costs of the acquisition and subsequent reorganisation costs which are disallowable.

37. 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 profit for the financial period amounted to £3,099,353.

38. DIVIDENDS

	£'000
Hamptons Group Limited:	
8% cumulative preference dividend on non equity shares	256
The London Residential Agency Limited:	
On cumulative convertible participating preferred ordinary shares	8
On "A" cumulative redeemable preference shares	19
	283