

**HAMPTONS INTERNATIONAL MORTGAGES
LIMITED**

Report and Financial Statements

30 June 2004

**Deloitte & Touche LLP
London**



REPORT AND FINANCIAL STATEMENTS 2004

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Anderson
J Cornell
K Duffy
R J C Paterson
C P Ralph ACA

SECRETARY

D J Errington ACA

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

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2004.

PRINCIPAL ACTIVITY

The principal activity of the company is the arranging of mortgages and associated services.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The company doubled revenues and significantly reduced its operating loss within 3 years of its inception. It is now well placed to grow revenues further in the 12 months ahead and more importantly deliver returns to shareholders at the desired level through continued development of its proposition to both the Hamptons office network and additionally third party introducers and consumers elsewhere.

RESULTS AND DIVIDENDS

The results of the company are shown in the profit and loss account on page 6. The directors have not paid or proposed a dividend during the year.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

M Anderson (appointed 21 January 2004)
 K Duffy
 R J C Paterson
 J Rodea (resigned 14 September 2004)
 S Smith (resigned 14 September 2004)
 C P Ralph ACA

On 14 September 2004, J Cornell was appointed as a director.

The directors' interest in the shares of the company at 30 June 2004:

	K Duffy	J Rodea	S Smith
'B' Ordinary shares of 25p each	3,000	-	-
'C' Ordinary shares of 25p each	2,800	1,600	1,600
'D' Ordinary shares of 25p each	-	-	-

None of the directors held any further interests in the share capital of the company or any other group company than Hamptons Group Limited as at 30 June 2004. The directors' interests in the share capital of the ultimate parent company, Hamptons Group Limited, are disclosed in the financial statements of that company.

CHARITABLE AND POLITICAL CONTRIBUTIONS

The company made charitable contributions of £2,150 (2003: £2,295) during the year.

The company made no political contributions during the year (2003: nil).

DIRECTORS' REPORT (continued)

AUDITORS

A resolution to reappoint Deloitte & Touche LLP as the company's auditor will be proposed.

Approved by the Board of Directors on 21 March 2005
and signed on behalf of the Board



K Duffy
Director

21 March 2005

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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 INTERNATIONAL MORTGAGES LIMITED**

We have audited the financial statements of Hamptons International Mortgages Limited for the year ended 30 June 2004 which comprise the profit and loss account, the balance sheet and related notes 1 to 15. 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
Chartered Accountants and Registered Auditors
London

29 March 2005

HAMPTONS INTERNATIONAL MORTGAGES LIMITED

PROFIT AND LOSS ACCOUNT Year ended 30 June 2004

	Note	2004 £'000	2003 £'000
TURNOVER - continuing operations		2,680	1,392
Administrative expenses		(2,726)	(1,719)
OPERATING LOSS - continuing operations	2	(46)	(327)
Interest receivable and similar income		2	2
Interest payable and similar charges	4	(52)	(44)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(96)	(369)
Tax credit on loss on ordinary activities	5	19	56
RETAINED LOSS FOR THE FINANCIAL YEAR	10	(77)	(313)

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

HAMPTONS INTERNATIONAL MORTGAGES LIMITED

BALANCE SHEET At 30 June 2004

	Note	2004		2003	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	6		105		121
CURRENT ASSETS					
Debtors	7	416		342	
Cash at bank and in hand		40		146	
		<u>456</u>		<u>488</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	<u>(1,226)</u>		<u>(1,197)</u>	
NET CURRENT LIABILITIES			<u>(770)</u>		<u>(709)</u>
TOTAL NET LIABILITIES			<u>(665)</u>		<u>(588)</u>
CAPITAL AND RESERVES					
Called up share capital	9		7		7
Profit and loss account	10		<u>(672)</u>		<u>(595)</u>
TOTAL EQUITY SHAREHOLDERS' DEFICIT	10		<u>(665)</u>		<u>(588)</u>

These financial statements were approved by the Board of Directors on 21 March 2005.

Signed on behalf of the Board of Directors

K Duffy
Director

C P Ralph
Director

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2004

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover arises wholly in the UK from the company's principal activity and comprises fee income and commissions receivable which are brought into account on the exchange of contracts for the property to which they relate.

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. The rates of depreciation are as follows:

Fixtures, fittings and equipment	10% to 33%
Computer equipment	33% to 50%
Property refurbishment	40%

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 the current tax rates and law. Timing differences arise from the inclusion of items in the income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. 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.

Pension costs

The pension cost represents the contributions payable to the individuals' personal pension schemes in respect of the accounting period.

2. OPERATING LOSS

	2004 £'000	2003 £'000
Operating loss is stated after charging:		
Depreciation	74	50
Auditors' remuneration - audit fee	6	6
Rentals under operating leases - other operating leases	70	88
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2004

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2004	2003
	£'000	£'000
Directors' emoluments		
Salary and taxable benefits	289	245
Consultancy fees	3	50
	<u>292</u>	<u>295</u>

Messrs R J C Paterson and C P Ralph are remunerated by Hamptons Group Limited. It is not practicable to allocate this remuneration between their services as executives of this company and other group companies.

	£'000	£'000
Highest paid director:		
Emoluments	<u>100</u>	<u>90</u>

Retirement benefits accrued to no directors under the group's defined contribution pension scheme (2003: nil directors).

Employees	No.	No.
Average number of persons employed by the company in the year	<u>27</u>	<u>19</u>
Staff costs (including directors) incurred during the year in respect of these employees were:	£'000	£'000
Wages and salaries	1,129	904
Social security costs	138	92
Pension costs	54	48
	<u>1,321</u>	<u>1,044</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£'000	£'000
Interest on loans from other group undertakings	<u>52</u>	<u>44</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2004

5. TAX ON LOSS ON ORDINARY ACTIVITIES	2004 £'000	2003 £'000
UK corporation tax credit for the year	-	(13)
Deferred taxation	(19)	(43)
Tax on loss on ordinary activities	(19)	(56)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax credit is lower due to non-deductible items, short-term timing differences and the utilisation of tax losses.

	£'000	£'000
Loss on ordinary activities before tax	(96)	(369)
	£'000	£'000
Loss on ordinary activities at standard rate of tax	(28)	(111)
Non-deductible expenditure and movement in short-term timing differences	1	26
Utilisation of tax losses	19	68
Depreciation in excess of capital allowances	8	4
Corporation tax credit for the year	-	(13)

6. TANGIBLE FIXED ASSETS

	Fixtures, fittings and equipment £'000	Property refurbishments £'000	Computer equipment £'000	Total £'000
Cost				
At 1 July 2003	45	24	115	184
Additions	25	3	30	58
At 30 June 2004	70	27	145	242
Accumulated depreciation				
At 1 July 2003	13	7	43	63
Charge for the year	16	10	48	74
At 30 June 2004	29	17	91	137
Net book value				
At 30 June 2004	41	10	54	105
At 30 June 2003	32	17	72	121

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2004

7. DEBTORS	2004	2003
	£'000	£'000
Trade debtors	302	259
Prepayments	52	40
Deferred tax asset	62	43
	<u>416</u>	<u>342</u>
 The movement on the deferred tax asset was as follows:	 2004	 2003
	£'000	£'000
At beginning of year	43	-
Credit to the profit and loss account	19	43
	<u>62</u>	<u>43</u>
At end of year	<u>62</u>	<u>43</u>
 8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	 2004	 2003
	£'000	£'000
Trade creditors	42	16
Amounts owed to group undertakings	848	890
Other tax and social security	38	32
Other creditors	32	6
Accruals	266	253
	<u>1,226</u>	<u>1,197</u>
 9. CALLED UP SHARE CAPITAL	 2004	 2003
	£	£
Authorised		
338,968 'A' Ordinary shares of £0.01	3,390	3,390
5,000 'B' Ordinary shares of £0.25	1,250	1,250
9,000 'C' Ordinary shares of £0.25	2,250	2,250
1,000 'D' Ordinary shares of £0.25	250	250
5,000 'E' Ordinary shares of £0.01	50	50
	<u>7,190</u>	<u>7,190</u>
	£	£
Called up, allotted and fully paid		
338,968 'A' Ordinary shares of £0.01	3,390	3,390
5,000 'B' Ordinary shares of £0.25	1,250	1,250
9,000 'C' Ordinary shares of £0.25	2,250	2,250
1,000 'D' Ordinary shares of £0.25	250	250
	<u>7,140</u>	<u>7,140</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2004

9. CALLED UP SHARE CAPITAL (continued)

Dividend rights

Of the amount to be distributed to ordinary shareholders, 'B' ordinary shares shall receive in aggregate 5% and 'D' ordinary shares in aggregate 1%. The balance shall be divided amongst the 'A', 'C' and 'E' ordinary shareholders *pari passu*, according to the number of such shares held by such holder.

Return of capital rights

On a return of capital on liquidation or otherwise, the surplus assets of the company remaining after the payment of its liabilities shall be distributed amongst the ordinary shareholders as per the dividend rights.

Voting rights

On a show of hands, every shareholder who is present in person or by proxy shall have one vote.

On a poll, every shareholder who is present in person or by proxy shall have one vote for each ordinary share of which he is the holder.

10. COMBINED STATEMENTS OF MOVEMENTS ON RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	Share capital £'000	Profit and loss account £'000	2004 Total £'000	2003 Total £'000
Balance at beginning of year	7	(595)	(588)	(282)
New shares issued	-	-	-	7
Retained loss for the year	-	(77)	(77)	(313)
Balance at end of year	7	(672)	(665)	(588)

11. CASH FLOW STATEMENT

The ultimate parent company, Hamptons Group Limited, has prepared a consolidated cash flow statement in accordance with Financial Reporting Standard No. 1, thus exempting the company from the requirement to prepare a cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2004

12. OPERATING LEASE COMMITMENTS

At 30 June 2004 the group was committed to making the following payments during the next year in respect of operating leases:

Land and buildings	2004 £'000	2003 £'000
Leases which expire:		
- within one year	88	-
- within two to five years	-	88
	<u>88</u>	<u>88</u>

13. PENSION COSTS

The pension cost charge for the year represents contributions payable by the company to private schemes of £54,000 (2003: £48,000). An amount of £11,000 (2003: £48,000) is included in creditors being outstanding contributions at the balance sheet date.

14. RELATED PARTY TRANSACTIONS

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.

15. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

Hamptons Group Limited is considered by the directors to be the ultimate parent and controlling party, and the smallest and largest group into which the results of Hamptons International Mortgages Limited are consolidated. Copies of the audited financial statements of Hamptons Group Limited, which include the results of this company, can be obtained from their registered office at 7 Lower Sloane Street, London, SW1W 8AH.