

Chancellors Holdings Limited

**Directors' report and consolidated
financial statements**

Registered number 3167637

31 December 2000



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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2000.

Principal activities

The company's principal activity is that of an investment company.

The company's subsidiary undertakings' principal activities are estate agency and property services.

Business review

The results for the year, detailed on page 5, show a consolidated profit before tax of £1,719,000 (1999: £3,178,000). The group had a satisfactory trading result and the directors are optimistic that the results for 2001 will again be satisfactory.

Proposed dividend and transfer to reserves

The directors recommend that a final ordinary dividend of £nil (1999: £31.05) per share be paid making, with the interim dividend of £nil (1999: £7.00) per share, a total of £nil (1999: £38.05) per share for the year. The retained profit transferred to reserves in the year was £1,193,000 (1999: £520,000).

Directors and directors' interests

The directors who held office during the year were as follows:

JR Scott-Lee

ID Simpson

DE Harding

The directors who held office at the end of the financial period had the following interests in the ordinary shares of group companies according to the register of directors' interests:

	Company	Interest at end of year	Interest at beginning of year
JR Scott-Lee	Chancellors Holdings Limited	15,000	15,000
ID Simpson	Chancellors Holdings Limited	15,000	15,000
D Harding	Chancellors Holdings Limited	15,000	15,000

Directors' report *(continued)*

Directors and directors' interests *(continued)*

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Employees

The company remains committed to employee involvement and equality of opportunity.

The continuing policy of the company is to make available to the disabled, on recruitment or subsequently, the fullest opportunities for employment, training, career development and promotion.

Political and charitable contributions

The group made no political contributions during the year. Donations to UK charities amounted to £5,225 (1999: £5,490).

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

I. D. Simpson

ID Simpson
Director

3 Worcester Street
Oxford
OX1 2PZ

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 group and of the profit or loss 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



Arlington Business Park
Theale
Reading, RG7 4SD
United Kingdom

Report of the auditors to the members of Chancellors Holdings Limited

We have audited the financial statements on pages 5 to 21.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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 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 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG 3/8/01

*Chartered Accountants
Registered Auditors*

Consolidated profit and loss account
for the year ended 31 December 2000

	<i>Notes</i>	2000 £000	1999 £000
Turnover	<i>1</i>	19,479	20,795
Staff costs	<i>3,4</i>	(9,106)	(8,974)
Other operating charges		(9,009)	(8,923)
Operating profit		1,364	2,898
Interest receivable	<i>6</i>	465	384
Interest payable	<i>7</i>	(110)	(104)
Profit on ordinary activities before taxation	<i>2-7</i>	1,719	3,178
Tax on profit on ordinary activities	<i>8</i>	(526)	(946)
Profit on ordinary activities after taxation		1,193	2,232
Dividends	<i>9</i>	-	(1,712)
Retained profit for the year		1,193	520

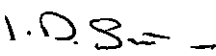
The profit and loss account contains only the gains and losses for the group for the current and previous years.

All of the above relate to continuing activities.

Consolidated balance sheet
at 31 December 2000

	<i>Note</i>	2000	1999
		£000	(restated see note 2) £000
Fixed assets			
Tangible assets	10	1,688	1,467
Investments	11	3	-
		<u>1,691</u>	<u>1,467</u>
Current assets			
Debtors: amounts falling due within one year	12	3,313	2,825
Cash at bank and in hand		4,107	5,827
		<u>7,420</u>	<u>13,931</u>
Current liabilities			
Creditors: amounts falling due within one year	14	(3,026)	(5,187)
		<u></u>	<u></u>
Net current assets		<u>4,394</u>	<u>3,465</u>
Total assets less current liabilities		<u>6,085</u>	<u>4,932</u>
Creditors : Amounts falling due after more than one year	15	(97)	(137)
		<u></u>	<u></u>
Net assets		<u>5,988</u>	<u>4,795</u>
Capital and reserves			
Called up share capital	17	45	45
Profit and loss account	18	4,134	2,941
Other reserves	18	1,809	1,809
		<u>5,988</u>	<u>4,795</u>
Equity shareholders' funds		<u>5,988</u>	<u>4,795</u>

These financial statements were approved by the board of directors on 25/7/2001 and were signed on its behalf by:


ID Simpson
Director

Company balance sheet
at 31 December 2000

	<i>Note</i>	2000		1999	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9		45		-
Investments	10		-		-
			<hr/>		<hr/>
			45		-
Current assets					
Debtors: amounts falling due within one year	11	1,808		2,062	
amounts falling due after one year		513		549	
Cash at bank and in hand		1,579		1,879	
		<hr/>		<hr/>	
		3,900		4,490	
Creditors: amounts falling due within one year	12	(89)		(1,507)	
		<hr/>		<hr/>	
Net current assets			3,811		2,983
			<hr/>		<hr/>
Total assets less current liabilities			3,856		2,983
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	15	45		45	
Profit and loss account	16	3,811		2,938	
		<hr/>		<hr/>	
Equity shareholders' funds			3,856		2,983
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 25/7/2001 and were signed on its behalf by:

I.D.S.
ID Simpson
Director

Consolidated cash flow statement
for the year ended 31 December 2000

	<i>Note</i>	2000 £000	1999 £000
Net cash inflow from operating activities	19	916	1,843
Net cash inflow from returns on investment and servicing of finance	20	366	337
Taxation		(898)	(427)
Capital expenditure and financial investment	20	(591)	(328)
Equity dividends paid		(1,397)	(315)
Net cash (outflow)/ inflow before management of liquid resources and financing		(1,604)	1,110
Management of liquid resources	20	1,300	(1,000)
Financing	20	(116)	(116)
Decrease in cash in the year		(420)	(6)

Reconciliation of net cash flow to movement in net funds

Decrease in cash in the year	21	(420)	(6)
Cash inflow from increase in financing		116	116
Cash (outflow)/inflow from movement in liquid resources		(1,300)	1,000
Change in net debt resulting from cash flows		(1,604)	1,110
New hire purchase contracts and loans		(68)	(196)
Movement in net funds in the year		(1,672)	914
Net funds at the start of the year	21	5,580	4,666
Net funds at the end of the year	21	3,908	5,580

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2000

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Profit for the financial year	1,193	2,232	179	2,219
Dividends	-	(1,712)	-	(1,712)
	<hr/>	<hr/>	<hr/>	<hr/>
Retained profit for the financial year	1,193	520	179	507
	<hr/>	<hr/>	<hr/>	<hr/>
Net addition to shareholders' funds	1,193	520	179	507
Opening shareholders' funds	4,795	4,275	2,983	2,476
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	5,988	4,795	3,162	2,983
	<hr/>	<hr/>	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2000. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on acquisition. Any excess of the fair value of the separable net assets acquired over the fair value of the consideration given (negative goodwill) is credited direct to reserves.

On the subsequent disposal or termination of a business, the profit or loss on disposal or termination is calculated after charging the amount of any related goodwill previously taken to reserves.

In the company's financial statements, investments in subsidiary and associated undertakings are stated at cost.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	- 50 years
Short leasehold premiums	- The lease term
Leasehold improvements	- 7 years
Fixtures and fittings	- 5 years
Motor vehicles	- 4 years
Computer equipment	- 3 years
Office equipment	- 3 years

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension scheme

Taxation

Turnover

Goodwill

2 Prior year adjustment

3 Profit on ordinary activities before taxation

11

Notes (continued)

4 Remuneration of directors

	2000 £000	1999 £000
Directors' emoluments:		
As directors	475	600
Pension costs	34	45
	<u>509</u>	<u>645</u>

The emoluments, excluding pension contributions, of the highest paid director were £158,333 (1999: £200,000).

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	2000	1999
Casual staff	94	85
Permanent staff	353	333
Ancillary staff	20	22
	<u>467</u>	<u>440</u>

The aggregate payroll costs of these persons were as follows:

	2000 £000	1999 £000
Wages and salaries	8,183	7,444
Social security costs	856	755
Other pension costs	67	36
	<u>9,106</u>	<u>8,235</u>

6 Interest receivable

	2000 £000	1999 £000
On bank deposits	428	368
On other deposits	37	16
	<u>465</u>	<u>384</u>

Notes (continued)

7 Interest payable and similar charges

	2000 £000	1999 £000
On bank overdrafts	93	86
Hire purchase contracts	17	18
	<u>110</u>	<u>104</u>

8 Taxation

	2000 £000	1999 £000
UK corporation tax at 30% (1999: 30%)	559	986
Under/(over) provision in prior year	(33)	(40)
	<u>526</u>	<u>946</u>

9 Dividends

	2000 £000	1999 £000
<i>Equity shares</i>		
Interim dividend paid	-	315
Final dividend proposed	-	1,397
	<u>-</u>	<u>1,712</u>

Notes (continued)

10 Tangible fixed assets

Group	Freehold property £000	Leasehold Premiums £000	Leasehold Improvements £000	Fixtures & fittings £000	Office Equipment £000	Computer Equipment £000	Motor vehicles £000	Total £000
Cost								
At 1 January 2000	516	1,366	1,305	1,271	346	1,014	941	6,759
Additions	-	-	219	78	211	92	79	679
Disposals	-	(50)	(55)	(50)	-	(1)	(98)	(254)
At 31 December 2000	516	1,316	1,469	1,299	557	1,105	922	7,184
Depreciation								
At 1 January 2000	37	1,366	978	1,115	238	927	631	5,292
Charge for the year	-	-	93	65	81	71	142	452
Disposals	-	(50)	(53)	(50)	-	-	(95)	(248)
At 31 December 2000	37	1,316	1,018	1,130	319	998	678	5,496
Net book value								
At 31 December 2000	479	-	451	169	238	107	244	1,688
At 31 December 1999	479	-	327	156	108	87	310	1,467

The net book value of assets held under hire purchase contracts at the year end was £224,122 (1999: £293,286). The depreciation charged in the year on these assets was £56,003 (1999: £96,920).

Notes (continued)

10 Tangible fixed assets (continued)

Company	Office Equipment £000	Fixtures And fittings £000	Total £000
Cost			
At 1 January 2000	-	-	-
Additions	22	31	53
	<hr/>	<hr/>	<hr/>
At 31 December 2000	22	31	53
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2000	-	-	-
Change for the year	3	5	8
	<hr/>	<hr/>	<hr/>
At 31 December 2000	3	5	8
	<hr/>	<hr/>	<hr/>
Net book value			
31 December 2000	19	26	45
	<hr/>	<hr/>	<hr/>
31 December 1999	-	-	-
	<hr/>	<hr/>	<hr/>

Notes (continued)

11 Fixed asset investments

	Non listed trade investments £000	Shares in group undertakings £000	Total £000
Cost			
At beginning of year	-	-	-
Additions	3	-	3
	<hr/>	<hr/>	<hr/>
At end of year	3	-	3
	<hr/>	<hr/>	<hr/>
Provisions			
At beginning and end of year	-	-	-
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2000	3	-	3
	<hr/>	<hr/>	<hr/>
At 31 December 1999	-	-	-
	<hr/>	<hr/>	<hr/>

The companies in which the company and group's interest at the year end is more than 20% are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
Subsidiary undertakings			
Chancellors Group of Estate Agents Limited	UK	Estate Agency	100% Ordinary
Justcrest Limited	UK	Property Investment Company	100% Ordinary
Chancellors Associates Holdings Limited	UK	Holding Company	100% Ordinary
Chancellors Associates	UK	Dormant	100% Ordinary
Russell Baldwin and Bright (Property)	UK	Dormant	100% Ordinary
Bonsor Penningtons Property Services	UK	Dormant	100% Ordinary
Anscombe and Ringland Limited	UK	Dormant	100% Ordinary
The Short Let Company Limited	UK	Lettings Agency	100% Ordinary

The shares in Chancellors Associates are held by Chancellors Associates Holdings Limited.

The shares in Russell Baldwin and Bright (Property), Bonsor Penningtons Property Services, and Anscombe and Ringland Limited are held by Chancellors Group of Estate Agents Limited

Notes (continued)

12 Debtors

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Trade debtors	1,773	1,691	-	-
Due from group undertakings	-	-	1,696	2,320
Other debtors	938	459	594	244
Prepayments and accrued income	602	650	31	47
ACT recoverable	-	25	-	-
	<u>3,313</u>	<u>2,825</u>	<u>2,321</u>	<u>2,611</u>

Included in the balance due from group undertakings is £513,099 which is recoverable in more than one year (1999: £548,790).

13 Cash

At 31 December 2000, in addition to the group's own cash which is included within the consolidated balance sheet, the group also held deposits for clients amounting to £6,438,000 (1999: £5,279,000) which are held in segregated, approved bank accounts.

14 Creditors: amounts falling due within one year

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Hire purchase contracts	102	110	-	-
Taxation and social security	560	578	17	-
Corporation tax	341	738	56	6
Other creditors	937	1,188	-	-
ACT payable	-	-	-	-
Accruals and deferred income	1,086	1,176	16	104
Dividends payable	-	1,397	-	1,397
	<u>3,026</u>	<u>5,187</u>	<u>89</u>	<u>1,507</u>

15 Creditors: amounts falling due after one year

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Hire purchase contracts	<u>97</u>	<u>137</u>	<u>-</u>	<u>-</u>

Notes (continued)

16 Provisions for liabilities and charges

There were no amounts provided or unprovided in respect of deferred tax at the end of the year for either the group or the company.

17 Called up share capital

Group and company

	2000 £000	1999 £000
<i>Authorised</i>		
45,000 Ordinary shares of £1 each	45	45
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
45,000 Ordinary shares of £1 each	45	45
	<hr/>	<hr/>

18 Reserves

Group

	Goodwill Reserve £000	Profit and loss account £000
Opening reserves	1,809	2,941
Retained profit for the year	-	1,193
	<hr/>	<hr/>
At end of year	1,809	4,134
	<hr/>	<hr/>

Company

	Profit and loss account £000
Opening reserves	2,938
Retained profit for the year	873
	<hr/>
At end of year	3,811
	<hr/>

The cumulative amount of positive goodwill resulting from the acquisition of subsidiary undertakings in the current financial year which has been written off is £nil (1999: £nil).

Notes (continued)

19 Commitments

- (a) There were no capital commitments at the end of the financial period for which no provision had been made for either the group or the company.
- (b) Annual commitments under non-cancellable operating leases are as follows:

	2000		1999	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Group				
Operating leases which expire:				
Within one year	123	88	35	35
In the second to fifth years inclusive	315	-	397	67
Over five years	912	-	768	-
	<u>1,350</u>	<u>88</u>	<u>1,200</u>	<u>106</u>
	2000		1999	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Company				
Operating leases which expire:				
Within one year	-	-	-	-
In the second to fifth years inclusive	-	-	-	-
Over five years	62	-	62	-
	<u>62</u>	<u>-</u>	<u>62</u>	<u>-</u>

20 Pension scheme

During the year the group operated a variety of defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the funds and amounted to £67,000 (1999: £36,000).

Contributions amounting to £3,750 (1999: £nil) were payable to the fund and are included in creditors.

21 Reconciliation of operating profit to net cash inflow from operating activities

	2000 £000	1999 £000
Operating profit	1,364	2,898
Depreciation charge	452	450
Profit on sale of tangible fixed assets	(17)	(56)
Increase in debtors	(524)	(656)
Decrease in creditors	(359)	(793)
	<u>916</u>	<u>1,843</u>
Net cash inflow from operating activities		

Notes (continued)

22 Analysis of cash flows

	2000		1999	
	£000	£000	£000	£000
Returns on investment and servicing of finance				
Interest received	476		441	
Interest paid	(93)		(86)	
Interest element of finance lease rental payments	(17)		(18)	
	<u> </u>	366	<u> </u>	337
		<u> </u>		<u> </u>
Capital expenditure				
Purchase of trade investment	(3)		-	
Purchase of tangible fixed assets	(608)		(552)	
Sale of tangible fixed assets	20		224	
	<u> </u>	(591)	<u> </u>	(328)
		<u> </u>		<u> </u>
Management of liquid resources				
Cash withdrawn/(deposited) from long term deposit		1,300		(1,000)
		<u> </u>		<u> </u>
Financing				
Capital element of finance lease rental payments		(116)		(116)
		<u> </u>		<u> </u>

Notes (continued)

23 Analysis of net funds

	At beginning of year £000	Cash flow £000	Other non cash changes £000	At end of year £000
Cash at bank and in hand	2,027	(420)	-	1,607
Finance leases	(247)	116	(68)	(199)
		(304)		
Current asset investments	3,800	(1,300)	-	2,500
	5,580	(1,604)	(68)	3,908

24 Related party disclosures

During the year the group had the following transactions with a related undertaking, Property Systems Integration Limited (PSIL).

	2000		1999	
	Profit and loss account charge/(income) £	Balance sheet asset/(liability) £	Profit and loss account charge/(income) £	Balance sheet asset/(liability) £
Purchases from PSIL	-	-	36,469	(36,469)
Recharging of costs to PSIL	(64,000)	75,200	(87,740)	87,740
Loan to PSIL including accrued interest	(36,930)	508,942	(16,096)	16,096
Recharging of costs to LIVE	(7,876)	9,254	-	-