Registration no 650447

Montpellier Group plc

Financial Report for year ended
30 September 2002

5-3-03 634

Corporate Governance

Compliance

As an AIM listed Company, Montpellier is not required to follow the provisions of the Combined Code, as set out in the Financial Services Authority's Listing Rules. However, the Directors recognise the importance and support the principles of good corporate governance as contained within Section 1 of the Combined Code (the "Code"). The Board considers that the Company has complied with the Code throughout the year except where mentioned below.

The Board constitution and procedures

The Directors at the date of this Report are set out on page 45 and profiles of each Director are set out below:

Cedric Scroggs – Chairman, 61, appointed to the Board as a non-executive Director in September 1990 and as non-executive Chairman in March 1999. He has held executive Directorships at Fisons, BL Cars and Cadbury's and non-executive Directorships at Caradon, Huntsworth and Genus. Cedric is currently Deputy Chairman of Sarginsons Plc.

Peter Gyllenhammar – Deputy Chairman, 49, a Swedish citizen, joined the Board as a non-executive Director in March 1998 and was appointed non-executive Deputy Chairman in September 1999. He has a background as an analyst and corporate finance advisor to several major Swedish corporations and has interests in a number of UK public companies.

Paul Sellars – Group Managing Director, 48, appointed to the Board as Finance Director in December 1996 and as Managing Director in January 2001. He has previously held senior management positions in Berkeley Group and Heron International. He is currently a Director of Clubhaus Plc and a number of private companies.

Roger Feast – Chief Executive of the Construction Division, 50, joined the Board in October 1999, as Chief Executive of the Construction Division. He was previously a Director of Jarvis Construction (UK) Limited and a regional Director of Birse Construction.

Mr Scroggs, is considered independent within the meaning of the Code. Mr Gyllenhammar, the Deputy Chairman, although not involved in the day-to-day operations of the Company, is no longer considered independent within the meaning of the Code on account of his indirect shareholding in Montpellier Group Plc (see page 20). The Company does not therefore comply with the provisions of the Code that a majority of the non-executive Directors be independent. The Directors have reviewed the composition of the Board and consider that, as a smaller company, Montpellier is adequately served by two non-executive Directors. However, this will remain under review. Consequently, the Directors do not feel it is necessary to appoint a senior non-executive Director at this stage.

The Board holds regular meetings throughout the year at which it receives and reviews written and oral reports from the executive Directors. A schedule of matters reserved for the Board's decision ensures the maintenance of control over strategic, financial and operational matters. In addition, the Board delegates clearly defined powers to its Audit, General Purposes and Executive Remuneration and Nomination Committees. Training and advice on Directors' responsibilities is available, as necessary. In addition, the Directors have access to the advice and services of the Company Secretary and procedures are in place for them to seek independent professional advice, if necessary, at the Company's expense.

Communication with shareholders

Members of the Board have dialogue with individual shareholders during the year. In addition to the Annual Report and Accounts and the Interim Statement, the Chairman addresses shareholders at the Annual General Meeting ("AGM") and invites questions to any member of the Board.

Going concern

The Directors, having made enquiries, are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider it appropriate to adopt the going concern basis in preparing the accounts.

Internal control

The Group has fully complied with the Code (and the Turnbull guidance) throughout the financial year to 30 September 2002 and up to the date of approval of the Report and Accounts. The Directors acknowledge that they have overall responsibility for the Group's system of internal control and for reviewing and monitoring its effectiveness. The system of internal control is designed to manage and mitigate, rather than eliminate, the risks to which the Company is exposed and therefore provides a reasonable, but not absolute, assurance against a company failing to meet its business objectives or against material misstatement or loss. Consequently, the Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. The Audit Committee reviews the effectiveness of the system of internal control and its findings are reported to the Board. These include:

i) A comprehensive budgeting system requiring operating divisions to set out their expectations for the next year and subsequent periods. This is then reviewed and approved by the Board. The Board receives monthly reports against this budget.

ii) Short-term cash monitoring is achieved by means of monthly forecasts, which are compared against budget, and previous forecasts.

iii) Clearly defined capital investment guidelines and levels of authority are in place, with certain matters reserved for the Board.

iv) There is an organisational structure within which individuals' responsibilities are identified and monitored.

v) There is a system of self-examination of risk areas and controls by subsidiaries and departments within the Group.

The Board has considered the need for an internal audit function but for the time being has concluded it is not warranted in view of the financial controls within the Group. The position will remain under review.

Audit Committee

The Audit Committee members are Mr Scroggs, (as Chairman of the Committee) and Mr Gyllenhammar, the two non-executive Directors. This does not comply with the Code guidance that the Audit Committee should comprise at least three non-executive Directors. The Audit Committee holds two meetings a year and normally invites a representative of the auditors and the executive Directors to attend. The terms of reference of the Committee include monitoring the auditors' performance and reviewing accounting policies, internal control and financial reporting procedures.

General Purposes Committee

The General Purposes Committee is constituted by the two executive Directors and considers routine day-to-day business decisions, which are then reported to the Board.

Executive Remuneration and Nomination Committee

Structure

The Executive Remuneration and Nomination Committee consists of the two non-executive Directors, Mr Gyllenhammar and Mr Scroggs, with the latter as Chairman, and meets when necessary during the year. The non-executive Directors do not have any personal interest in the matters to be decided by the Committee other than as shareholders, nor any potential conflicts of interest arising from cross-directorships and no day-to-day involvement in the running of the Company.

Terms of reference

The terms of reference of the Executive Remuneration and Nomination Committee are as follows:

(a) To make recommendations to the Board to assist it in its appointment and retirement of Directors including agreeing their letters of appointment setting out their duties, remuneration and review terms.

(b) To review recommendations from the executive Directors on the overall remuneration and benefits policy of the Group, with the power and authority to amend it if considered appropriate.

(c) To determine the remuneration and benefits, including all bonus schemes, of the executive Directors and the Directors of divisional companies and other executives of similar status.

(d) To determine the provisional allocation of shares pursuant to the terms of the Company's Long Term Incentive Plan ("LTIP") and the grant of options under the Company's share option schemes.

Service contracts

The executive Directors of the Company, Messrs Sellars and Feast, have twelve month rolling term contracts and retire from the Board by rotation in accordance with the Articles of Association of the Company and, being eligible, offer themselves for re-election at the forthcoming AGM.

Remuneration policy

The Remuneration Committee's composition, responsibilities and operations comply with the best practice provisions in Schedule A of the Annex to the Listing Rules of the Financial Services Authority. In implementing its policy, the Committee has given full consideration to the provisions of Schedule B of the Annex to the Listing Rules.

The salaries and remuneration and employment terms of the executive Directors are determined by the Committee by comparison with salaries

Corporate Governance

paid and terms agreed with Directors in similar companies in the same sector and of a similar size and after a review of the performance of the individual. It is the aim of the Committee to reward executive Directors competitively and on the broad principle that they should be in the range of median to upper-quartile of remuneration paid to senior management of comparable public companies. For guidance, the Committee refers to published survey data. The Board determines the terms and conditions of non-executive Directors.

Bonuses

The Company provides a discretionary bonus incentive scheme for Directors and senior executives of the operating companies, linked to the performance of the business for which they are responsible. All performance criteria are subject to approval by the Remuneration Committee before payment is made.

Share option schemes

The Lovell 1995 Executive Share Option Scheme was established and approved at the AGM of the Company on 24 January 1995. There are no options outstanding under the scheme and no new options were granted during the year. The Directors are also entitled to take part in the Employee Sharesave Scheme ("SAYE") detailed below and on page 37. Under the terms of the LTIP the Board has made two conditional allocations of shares to senior executives. The allocation of the shares becomes unconditional after a period of three years if the Company's share price achieves the performance criteria set by the Board. There have been no new allocations of 10p Ordinary Shares to Directors pursuant to the provisions of the Company's LTIP during the year. Awards were made in 1997 and 1999, the provisional allocations becoming exercisable after 18 February 2000, and 11 February 2002, on payment of 18p per share and 10p respectively. The 1997 option must be exercised before 18 February 2005 and the 1999 option before 11 February 2007.

The Company's policy to grant options or awards under the above schemes is at the Remuneration Committee's discretion as and when considered appropriate.

Pensions

The Group provides retirement benefits for executive Directors and employees through independent pension schemes. The assets of these schemes are held by trustees and managed by independent investment managers. The retirement age of the executive Directors is 62. The executive Directors were members of the Lovell Pension Scheme, a defined benefit scheme up until 31 July 2001, and then transferred active membership to the Montpellier Group Pension Plan, a defined contribution scheme. Both executive Directors were members of this scheme throughout the year, however Mr Sellars retains accrued rights under the deferred scheme.

The Directors' emoluments, benefits and shareholdings during the year were as follows:-

1. Directors' emoluments

	Notes	Salary/fees £000	Bonuses £000	Benefits £000	Pension contributions 2002 £000	Pension contributions 2001 £000	Total emoluments 2002 £000	Total emoluments 2001 £000
Executive Directors								
P Sellars	1 and 3	197	100	64	12	19	373	243
R Feast	2 and 3	157	180	58	12	17	407	209
Non-executive Directors								
Fees								
C A Scroggs		36	-	1	-	-	37	30
P J P V Gyllenhammar		24	-	3	-	-	27	24

1 The highest paid Director in 2001 was Mr Sellars who received emoluments of £224,166 (excluding pension contributions).
2 The highest paid Director for 2002 was Mr Feast who received emoluments of £394,457 (excluding pension contributions).
3 The amount paid by the Company into Messrs Sellars and Feast's money purchase schemes in 2002 were £12,052 and £12,160 respectively.

2. Interests of Directors in share options and shares of the Company

Options

	No. of options at start of year 30 September 2002	No. of options at end of year 30 September 2002	Date of award/grant	Exercise price £	Earliest exercise date	Expiry of exercise period
P Sellars	386,400	386,400	18/02/97	0.1800	18/02/00	18/02/05
	383,770	383,770	11/02/99	0.1000	11/02/02	11/02/07
	19,076*	19,076	04/08/00	0.1625	01/10/03	31/03/04
R Feast	19,076*	19,076	04/08/00	0.1625	01/10/03	31/03/04
C A Scroggs	-	-	-	-	-	-
P J P V Gyllenhammar	-	-	-	-	-	-

* Share options granted on 4 August 2000, under SAYE Scheme, which are exercisable in October 2003, at an exercise price of 16.25p.
No options have been granted or exercised during 2001 or 2002.
The market price of the Company's shares at 30 September 2002 was 33.25p and the range of market prices during the year was between 23.25p and 44p.

Shares

	30 September 2002	1 October 2001
P Sellars	15,532	11,932
R Feast	-	-
C A Scroggs	5,000	5,000
P J P V Gyllenhammar*	-	-

* See also page 20

3. Directors' pension information

	Age at 30 September 2002	Years of service at 30 September 2002	Accrued pension at 30 September 2002 £ 000	Transfer value at 30 September 2002 £ 000	Transfer value at 30 September 2001 £ 000	Increase in transfer value over the year £ 000
Executive Directors						
P Sellars	48	5	10	113	102	11

There was no change in accrued pension during 2001 or 2002.

Directors' Report

The Directors present their Report together with the audited accounts of the Company and its subsidiaries for the year ended 30 September 2002.

Principal activities and business review

The principal activities of the Group are investment, construction and land and property development. The activities are carried out in the United Kingdom and USA. More details of these activities, the year's trading and future developments are contained in the Chairman's Statement and the sector business review set out earlier in this Annual Report. A list of the principal operating subsidiaries and joint ventures of the Group as at 30 September 2002 appears on page 43.

Results and dividends

The Group made a profit for the year before taxation of £4,851,000 (2001: £3,534,000). The Group profit attributable to shareholders was £5,067,000 (2001: £3,613,000). The Directors recommend the payment of a final dividend on the Ordinary Shares of 0.6p (2001: 1p), which together with the interim dividend of 0.5p paid on 15 July 2002, makes a total dividend for the year of 1.1p per share (2001: 1p). An amount of £4,205,000 (2001: £3,004,000) has been transferred to reserves.

Financial review

Shareholders' funds is made up as follows:	£000
Cash and short term deposits	6,446
Bank loans and overdrafts	(8,845)
Net cash balance	(2,399)
Finance leases	(381)
Net debt	(2,780)
Other net assets	37,114
Equity shareholders' funds	34,334

Derivatives and other financial instruments

The Group's principal financial instruments comprise bank loans, cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors that arise directly from its operations. The Group also uses forward exchange contracts and foreign currency borrowings. Their purpose is to manage the currency risks arising from the Group's overseas operation. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk.

Interest rate risk

The Group borrows in sterling at floating rates of interest under the terms of the current facility with Barclays Bank plc. Interest rates are linked to London Inter-Bank Offer Rate (LIBOR) and Barclays Bank plc's base rate, hence enabling the Group to track market interest rates. The Group also borrows from the Bank of Scotland plc at floating rates of interest under separate agreements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts and bank loans provided by the current loan facilities.

Loan maturity	%
By 30 September 2003	5
By 30 September 2004	-
By 30 September 2007	1
After 30 September 2007	94
	100

The Group's total borrowings at the year end consist of both bank loan and overdraft facilities. The overdraft facility is available until 28 February 2003, when it is expected that it will be renewed.

Foreign currency risk

As a result of the investments in operations in the United States, movements in the US dollar/sterling exchange rates can significantly affect the Group's balance sheet. The Group seeks to mitigate the effect of this structural currency exposure by using both foreign currency forward exchange contracts and foreign currency borrowings to hedge these investments against currency depreciation. The principal hedging instrument used by the Group is a bank deposit account of £17.3m obtained via a US $25m bank loan at a rate of US $1.446. As at 30 September 2002, 50% of the Group's net assets are denominated in foreign currency.

Share capital

The Company has not exercised its power to buy-back its own shares as approved by shareholders at the last AGM. However, following shareholder approval at an Extraordinary General Meeting ("EGM") on 27 March 2002, the authorised share capital was increased from £8,878,494.90 to £10,000,000 by the creation of 11,215,051 additional Ordinary Shares of 10p each and 17,461,834 Ordinary Shares of 10p each were also issued and allotted at 37p per share. A total of 38,442 shares were issued at 16.25p under the Group's SAYE Scheme, resulting in a total issued share capital of 78,388,814 as at 14 January 2003.

Shareholdings

At 14 January 2003, notification had been received of the following interests, which exceed a 3% interest in the issued share capital of the Company:

	Number of Ordinary Shares of 10p	% of issued share capital
Browallia International BV	22,538,166	28.75
Browallia Discount Company Limited	17,461,834	22.28
Johan Claesson connected holdings	7,110,723	9.07

Directors' interests

The interests of the Directors, their wives and infant children in the shares of the Company and options for shares, all of which were beneficial interests, were as shown on page 19 at the year end. In addition, on 18 November 2002, Mr Gyllenhammar exercised his option to acquire 50% of the issued share capital of Förvaltnings AB Browallia, the parent company of Browallia International BV and Browallia Discount Company Limited, the Company's two largest shareholders There have been no changes in the Directors' interests since the year-end. No Director has any interest in any other Group company. Details of the Directors' remuneration and service contracts appear on pages 18 and 19.

Related Party Transactions

On 1 March 2002, the Company entered into an agreement, subject to shareholder approval, to acquire assets from Union Ltd. For the purposes of the City Code on Takeovers and Mergers, Mr Gyllenhammar was deemed to be a person acting in concert with Förvaltnings AB Browallia by virtue of his interest in Förvaltnings AB Browallia which through its subsidiaries controlled Union Ltd. Mr Gyllenhammar declared his interest and took no part in the Board's consideration of the proposal. Details of other transactions with related parties undertaken by the Group during the year are disclosed in note 32 to the accounts.

Donations

During the year the Group made charitable donations amounting to £32,891 (2001: £10,112). No political donations were made during the year (2001: £nil).

Corporate Governance

The Board's statement on Corporate Governance appears on page 18.

Employee involvement and policy

The Directors recognise the need for communication with employees at every level. All employees have access to a copy of the Annual Report and Accounts, which together with staff briefings, internal notice-board statements and YJL News, keep them informed of the Group's progress. Details of the Company's share option schemes can be found in note 23 to the accounts. A Company SAYE Scheme was established in 1993 and the first options were granted on 4 August 2000. The Company has a LTIP pursuant to which provisional allocations of Ordinary Shares were made on 18 February 1997 and 11 February 1999, details of which are set out on page 37.

The Group continues to be committed to the health, safety and welfare of its employees and to observe the terms of the Health & Safety at Work Act 1974, and subsequent legislation and regulations. It is the policy of the Group that there shall be no discrimination or less favourable treatment of employees or job applicants in respect of race, colour, ethnic or national origins, religion, sex, disability, political beliefs or marital status. Full consideration will be given to suitable applications

Directors' Report

for employment from disabled persons, where they have the necessary abilities and skills for that position, and wherever possible to re-train employees who become disabled, so that they can continue their employment in another position. Montpellier and its subsidiaries engage, promote, and train staff on the basis of their capabilities, qualifications and experience, without discrimination, giving all employees an equal opportunity to progress within the Group.

Safety, health and environmental policies

Montpellier Group Plc continues to strive to improve its safety, health and environmental (SHE) standards and performance. The SHE objectives established by the Group were monitored regularly throughout the year and these objectives reviewed in response to performance and changes in legislation. The Group SHE Committee is chaired by the Chief Executive of the Construction Division and is responsible for the monitoring, review and development of Group SHE policies.

All levels of management are required to undertake SHE monitoring activities, from SHE tours by Directors to SHE surveys by senior managers and SHE inspections by site and workplace management. These activities support the Group's policy to ensure management involvement in health and safety performance and supplement the monitoring undertaken by the Group's SHE department. This year the Group carried out nearly 2,000 visits to its operational sites, almost 25% of these were undertaken by the Group's managers.

It is the Group's policy to report all accidents regardless of severity. Accident and incident reports are assessed to identify their main cause and analysed to identify trends and areas for improvement in the same way as for findings of inspections, tours and surveys. This has enabled the Group to communicate and co-ordinate SHE improvements throughout its activities.

The Group recognises the importance of effective training to the improvement in SHE performance. Throughout the year the Group organised and delivered numerous internal health and safety courses for its personnel; in addition over 130 managers successfully completed the Site Safety Management Training Scheme, a five-day training course accredited and certificated by the Construction Industry Training Board.

Supplier payment policy

The Group recognises the importance of good relationships with its suppliers and sub-contractors and has established the following payment policy:

(a) agree payment terms in advance of any commitment being entered into;

(b) ensure suppliers are made aware of these terms by inclusion of the terms of payment on the order or contract;

(c) ensure that payments are made in accordance with the terms of the contract or order providing that the presented documentation is complete and accurate.

The Company's average creditor days during the year were 5 days (2001: 34 days).

Annual General Meeting

The AGM will be held on 26 February 2003, the Notice for which is set out on page 46. The Notice contains special business, including the renewal of authority to the Board to make market purchases of its own shares, as mentioned below, and renewal of the Board's power to allot equity shares. Shareholders should complete the proxy form accompanying this document in accordance with the notes contained in the Notice of AGM.

Authority for the Company to purchase its own shares

At the AGM held on 27 February 2002, shareholders renewed the Company's authority under Section 166 of the Companies Act 1985 to make market purchases on the London Stock Exchange of up to 9,134,080 Ordinary Shares of 10p each of the Company. This authority was still valid at 30 September 2002 and expires at the conclusion of the AGM to be held on 26 February 2003. It is intended to propose, as Special Business, at the forthcoming AGM, an ordinary resolution to renew the Proposed Market Purchases Authority to allow the Company to purchase up to 15% of the Ordinary Shares in issue at the date of the AGM. Although an AIM listed Company, as a matter of best practice the Company intends to observe the principles contained within the Listing Rules regarding the purchase of its own securities. Any purchase therefore will be subject to the terms of the Listing Rules, which provides that the maximum price (exclusive of expenses) which may be paid for an Ordinary Share, is an amount equal to 105 per cent of the average of the middle market quotations for an Ordinary Share, taken from the daily official list of the London Stock Exchange for the five business days immediately preceding the day on which the Ordinary Share is purchased. The minimum price (exclusive of expenses), which may be paid for an Ordinary Share is 10p, its nominal value. Such market purchases of Ordinary Shares by the Company would be made from the Company's distributable reserves and any Ordinary Shares purchased pursuant to the authority would be subsequently cancelled.

Any purchase of Ordinary Shares would be at the discretion of the Board in the light of prevailing market conditions and at a price that would increase the net asset value per share. However, shareholders should not assume that any such purchases will necessarily take place.

The Company has not exercised its power to buy-back its own shares since the last AGM and the Existing Market Purchases Authority remains at 9,134,080 Ordinary Shares. The Company may use some or all of this residual authority prior to the AGM. Should the Company not buy back any more Ordinary Shares under the Existing Market Purchases Authority, the number of Ordinary Shares in issue at the date of the AGM will be 78,388,814 and accordingly the Proposed Market Purchases Authority will be sought in respect of 11,758,321 Ordinary Shares. However, if the Company does utilise the balance of the Existing Market Authority, the number of Ordinary Shares in issue at the date of the AGM will be 69,254,734 and accordingly the Proposed Market Purchases Authority will be sought in respect of 10,388,209 Ordinary Shares.

Auditors

PricewaterhouseCoopers resigned as Auditors during the year and the Board appointed RSM Robson Rhodes to fill the vacancy. A resolution will be proposed at the AGM to re-appoint RSM Robson Rhodes as Auditors and authorise the Directors to determine their remuneration.

Statement of Directors' responsibilities for the Annual Report

Company law in the United Kingdom 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 and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards;
- prepared the financial statements on the going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and 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.

The Annual Report is available on the Company's web site (details of which are given on page 45). The maintenance and integrity of the web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the accounts since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and other information included in Annual Reports may differ from legislation in other jurisdictions.

Approval

The Report of the Directors was approved by the Board on 14 January 2003.

By Order of the Board
A N McArthur FCA
Secretary

Independent Auditors' Report

Independent Auditors' Report to the shareholders of Montpellier Group Plc

We have audited the accounts on pages 23 to 43.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the AIM rules. We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, 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 or the AIM Rules regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules if the Company had been fully listed and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the information contained in the Annual Report and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any information outside the Annual Report.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 30 September 2002 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes

RSM Robson Rhodes
Chartered Accountants and Registered Auditors
London, England

Group Profit & Loss Account

For the year ended 30 September

	Notes	Total 2002 £000	Total 2001 £000 Restated*
Turnover: Group and share of joint ventures		**447,856**	311,917
Less share of joint ventures' turnover		**(2,621)**	(2,156)
Continuing operations		**445,235**	297,951
Discontinued operations		**-**	11,810
Group turnover	2	**445,235**	309,761
Cost of sales		**(409,306)**	(282,219)
Gross profit	3	**35,929**	27,542
Administrative expenses	3 and 4	**(32,584)**	(25,331)
Other operating income	3	**756**	557
Group operating profit		**4,101**	2,768
Income from joint ventures		**-**	-
Share of associates' loss		**(426)**	-
Amortisation of goodwill on associates		**1,251**	-
Total continuing operations		**4,926**	3,944
Discontinued operations		**-**	(1,176)
Total operating profit including share of joint ventures and associates		**4,926**	2,768
Profit on sale of properties	4	**-**	637
Loss on disposal of discontinued operations	4	**-**	(101)
Profit on ordinary activities before interest		**4,926**	3,304
Bank interest receivable		**703**	781
Interest payable	5	**(639)**	(551)
Share of associates' interest payable		**(139)**	-
Profit on ordinary activities before taxation		**4,851**	3,534
Taxation receivable on ordinary activities	7	**393**	120
Share of associates' taxation payable		**(30)**	-
Profit for the financial year before minority interests		**5,214**	3,654
Minority interests		**(147)**	(41)
Profit for the financial year		**5,067**	3,613
Dividends	8	**(862)**	(609)
Retained profit for the financial year		**4,205**	3,004
Basic earnings per Ordinary Share	9	**7.25p**	5.34p
Diluted earnings per Ordinary Share	9	**7.13p**	5.30p

Group Statement of Total Recognised Gains & Losses

For the year ended 30 September

	Notes	Total 2002 £000	Total 2001 £000 Restated*
Profit for the financial year		**5,067**	3,613
Exchange movements in reserves	24	**(63)**	384
Prior year adjustment	7	**82**	-
Total gains recognised since last annual report		**5,086**	3,997

No property revaluation gains were realised during the year (2001: £1,046,000). There are no other material differences between the profit as reported and on an unmodified historical cost basis.

*Restatement to comply with FRS19 - see note 7.

MONTPELLIER GROUP Plc

Balance Sheets

At 30 September	Notes	Group 2002 £000	2001 £000 Restated*	Company 2002 £000	2001 £000 Restated*
Fixed assets					
Intangible assets:					
Goodwill	10	**5,811**	2,018	**-**	-
Negative goodwill	10	**-**	(946)	**-**	-
		5,811	1,072	**-**	-
Tangible assets	11	**19,226**	12,329	**1,703**	1,411
Investments	12	**30**	30	**87,712**	94,176
Investments in joint ventures:	13				
Loans to joint ventures		**526**	1,448	**-**	-
Share of gross assets		**18,306**	20,877	**-**	-
Share of gross liabilities		**(11,610)**	(15,881)	**-**	-
		7,222	6,444	**-**	-
Investments in associated undertakings	14	**8,295**	-	**7,639**	-
		40,584	19,875	**97,054**	95,587
Current assets					
Stocks and work in progress	15	**22,868**	25,730	**-**	-
Debtors: due after more than one year	16	**2,390**	2,594	**1,253**	1,252
due within one year	16	**89,698**	88,267	**29,579**	17,684
Current asset investments	17	**6,488**	3,285	**3,577**	3,285
Cash at bank and in hand	18	**6,446**	18,268	**4,450**	6,459
		127,890	138,144	**38,859**	28,680
Creditors: amounts falling due in less than one year	19	**(125,642)**	(129,450)	**(110,378)**	(105,872)
Net current assets/(liabilities)		**2,248**	8,694	**(71,519)**	(77,192)
Total assets less current liabilities		**42,832**	28,569	**25,535**	18,395
Creditors: amounts falling due after more than one year					
Long-term debt	20	**(8,363)**	(390)	**-**	-
Other creditors	21	**(135)**	(860)	**-**	-
		(8,498)	(1,250)	**-**	-
Net assets		**34,334**	27,319	**25,535**	18,395
Capital and reserves					
Share capital	23	**7,838**	6,089	**7,838**	6,089
Share premium account	24	**5,782**	1,066	**5,782**	1,066
Revaluation reserve	24	**73**	73	**73**	73
Capital reserve	24	**1,846**	1,846	**1,846**	1,846
Profit and loss account	24	**18,795**	14,653	**9,996**	9,321
Equity shareholders' funds	25	**34,334**	23,727	**25,535**	18,395
Minority interests		**-**	3,592	**-**	-
		34,334	27,319	**25,535**	18,395

*Restatement to comply with FRS19 - see note 7.

Approved by the Board and signed on its behalf:
R Feast, P Sellars (Directors)
14 January 2003

Group Cash Flow Statement

For the year ended 30 September	Notes	Total 2002 £000	Total 2001 £000 Restated*
Net cash inflow from operating activities	29	**6,520**	2,224
Returns on investments and servicing of finance			
Interest received		**181**	739
Interest paid		**(276)**	(551)
		(95)	188
Taxation			
Net corporation tax paid		**(332)**	(1,003)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		**(2,526)**	(1,701)
Proceeds on sale of tangible fixed assets		**1,184**	3,202
Payments to acquire current asset investments		**(5,517)**	(836)
Proceeds on sale of current asset investments		**491**	-
Loans repaid by joint venture		**830**	1,769
		(5,538)	2,434
Acquisitions and disposals			
Payments to acquire subsidiary undertakings and connected assets		**(11,740)**	(5,652)
Cash acquired on acquisition of subsidiaries		**532**	12,838
Payments to acquire associated undertakings		**(3,571)**	-
Receipt from sale of business		**-**	11
		(14,779)	7,197
Equity dividends paid to shareholders		**(1,001)**	-
Cash (outflow)/inflow before use of liquid resources and financing		**(15,225)**	11,040
Management of liquid resources			
Decrease in liquid resources		**2,883**	1,876
Financing			
Issue of share capital		**4**	-
Acquisition of own shares		**-**	(2,730)
Movement in short-term borrowings		**(5,168)**	(5,568)
Movement in long-term borrowings		**7,973**	225
Finance lease payments		**(440)**	(143)
		2,369	(8,216)
(Decrease)/increase in cash during the year		**(9,973)**	4,700

* Restatement on cash flow to reflect minor changes in presentation for 2002.

Reconciliation of net cash flow to movement in net funds/(debt)		
(Decrease)/increase in cash during the year	**(9,973)**	4,700
Movement in borrowings	**(2,365)**	5,486
Movement in liquid resources	**(2,883)**	(1,876)
Changes in funds arising from cash flows	**(15,221)**	8,310
Borrowings acquired with subsidiaries	**-**	(7,664)
Borrowings disposed with subsidiaries	**-**	3,029
Finance leases acquired with subsidiaries	**-**	(774)
Other non-cash movements	**26**	-
Exchange movements	**1,034**	(385)
Movement in net funds during the year	**(14,161)**	2,516
Opening net funds	**11,381**	8,865
Closing net (debt)/funds	**(2,780)**	11,381

Notes to the Accounts

1 Accounting policies

(i) Basis of accounting

The accounts have been prepared on the going concern basis and in accordance with applicable accounting standards under the historical cost convention, modified by the revaluation of certain land and buildings. A summary of the more important Group accounting policies which have been applied consistently is set out below.

(ii) Changes in accounting policy

The Group has implemented FRS19 "Deferred Tax" during the year. This has resulted in a minor restatement of the prior year balances.

(iii) Basis of consolidation

The Group accounts consolidate the accounts of the Company, its subsidiary undertakings and the attributable share of the results and net assets of associated undertakings and joint ventures, all prepared to 30 September in each year. The results and net assets of undertakings acquired are included in the Group profit and loss account and balance sheet using the acquisition method of accounting from the effective date of acquisition. The results of undertakings disposed of are included to the effective date of disposal.

(iv) Joint ventures and associates

In the normal course of business, the Group invests in joint ventures and associates which are classified as fixed asset investments in accordance with FRS9 "Associates and joint ventures".

Joint ventures arise where the Group has a participating interest in an entity and shares the control of its strategic and operational policies. Joint ventures are accounted for using the gross equity method. Associates are those investments where the Group has a participating interest in a company and exerts significant influence over its strategic and operational policies. Associates are accounted for using the equity method. Where necessary adjustments are made on consolidation to bring the results and net assets of joint ventures and associates into line with Group accounting policies.

(v) Goodwill

Goodwill is the difference between the amount paid on the acquisition of a business, be it a subsidiary, joint venture or associate, and the aggregate fair value of its separable net assets. Goodwill arising on acquisitions prior to 30 September 1997 has been written off directly against the profit and loss reserve and has not been reinstated on implementation of FRS10 "Goodwill and intangible assets" as allowed by the standard. Goodwill arising on acquisition of subsidiaries after 1 October 1997 is capitalised in the balance sheet and is being amortised over its estimated useful economic life up to a maximum of 20 years.

Goodwill or negative goodwill arising on the acquisition of associates or joint ventures after 1 October 1997 is also capitalised in the balance sheet. This is being recognised in the profit and loss account over a maximum of five years, which the Directors consider to be the period which will benefit from the recovery of the underlying assets acquired.

Reviews for impairment of goodwill are performed at the end of the first full financial year following the related acquisition and, thereafter, if events indicate that the carrying value may not be recoverable. On the sale of a subsidiary undertaking any goodwill relating to the disposed subsidiary is written off in the year.

(vi) Long-term contracts

Long-term contracts are stated at cost plus attributable profit after providing for anticipated future losses and contingencies. Progress payments received are deducted from these amounts. Cost includes attributable overheads. Long-term contract work in progress is included in debtors as amounts recoverable on contracts.

(vii) Stocks and work in progress

Stocks and work in progress comprise residential and commercial developments and raw materials and are stated at the lower of cost and net realisable value. Cost includes appropriate attributable overheads and excludes interest. Where necessary, provision is made for obsolete, slow moving and defective stocks. Assets held for resale are included within stock at the lower of cost and net realisable value.

(viii) Current asset investments

Current asset investments are stated at the lower of cost and net realisable value, net realisable value being the mid-market price of listed investments at the balance sheet date where this information is available. Profits and losses on sale of investments are included in other operating income.

(ix) Tangible fixed assets and depreciation

Depreciation is provided on all tangible fixed assets, other than investment properties. Provision is made at rates calculated to write off the cost of each asset, less estimated residual value, evenly over its expected useful life as follows:

- Group occupied property - fifty years or remaining lease period
- Plant and vehicles - three to ten years
- Office equipment - two to seven years

Changes in the revalued amounts of assets carried at valuation are taken directly to the revaluation reserve. Upon disposal, the balance of any revaluation reserve relating to the property sold is transferred to the profit and loss account in reserves.

Landfill developments
The cost of landfill developments included within tangible fixed assets represents site acquisition and preparation costs together with any incidental costs necessary to bring the site into operation. The site preparation costs includes an element which relates to work performed by Group companies together with attributable overheads. Where the landfill development is primarily utilised for the disposal of waste materials arising from Group activities, depreciation is not charged until the site becomes operational. Depreciation is then charged at a rate that matches the net income derived from the landfill operation until the asset is completely written down. Full provision is made for the net present value of the Company's landfill site rectification costs. An asset is also recognised in relation to these future costs, which is amortised on the basis of tonnages deposited over the expected life of the site.

Properties
Certain of the Group's properties are held for long-term investment and these are accounted for in accordance with SSAP19 "Accounting for investment properties (revised)", as follows:

(i) investment properties are revalued annually by the Directors. Any changes in value are shown in the statement of total recognised gains and losses, except where a deficit on an individual property is expected to be permanent, in which case it is charged to the profit and loss account; and

Notes to the Accounts

(ii) no depreciation or amortisation is provided in respect of freehold and long leasehold investment properties.

Although the Companies Act 1985 would normally require the systematic annual depreciation of fixed assets, the Directors believe that this policy of not providing depreciation or amortisation is necessary in order for the accounts to give a true and fair view, since the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

The profit or loss arising on disposal of properties is disclosed separately as an exceptional item, when material. The profit or loss represents the difference between proceeds less sale costs and net book value.

(x) Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS19.

Deferred tax assets are recognised to the extent it is considered more likely than not that they will be reversed. In accordance with FRS19 deferred tax is not provided for:

a) revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date;

b) gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over;

c) fair value adjustment gains to fixed assets and stock to uplift prices to those ruling when an acquisition is made.

d) extra tax payable if the overseas retained profits of subsidiaries, joint ventures or associates are remitted in the future.

(xi) Turnover

Turnover which, excluding sales within the Group and Value Added Tax, comprises:

- the value of work executed during the year on construction contracts;
- sales of residential properties and land based upon legal completions;
- sales of commercial properties based upon legal completions.

(xii) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate.

The accounts of overseas subsidiary and joint venture undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves together with differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against Group equity investments in foreign enterprises. All other exchange differences are taken to the profit and loss account.

(xiii) Leasing commitments

Assets held under finance leases, where substantially all the benefits and risks of ownership of an asset have been transferred to the Group, are capitalised and are depreciated in accordance with the depreciation policy or the remaining lease if shorter. The interest element of the rental obligations is charged to the profit and loss account and represents a constant proportion of the balance of capital repayments outstanding. Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

(xiv) Pensions

The Group operates defined benefit and defined contribution pension schemes. The defined benefit scheme was closed to new members in June 2000 and in August 2001 the Board decided that no further benefits would accrue to exisiting members with more than 5 years expected service life remaining. These members were transferred to the defined contribution plan but retained the benefit earned to that date under the defined benefit scheme. In accordance with the requirements of SSAP24 contributions to the defined benefit scheme are made under the guidance of an independent actuary and are charged to profit and loss so as to spread the costs of the defined benefit pension scheme over the average expected remaining working lives of the employees that continue to benefit from the scheme.

Contributions to the defined contribution scheme are charged to profit as incurred. Further information on the status of the defined benefit scheme is contained within note 28 to these accounts.

Notes to the Accounts

2 Segmental analysis

External turnover is analysed as follows:

	2002 £000	2001 £000
Construction	**438,777**	295,206
UK Property	**3,619**	1,677
USA Property	**5,460**	3,224
Turnover: Group and share of joint ventures' turnover	**447,856**	300,107
Less: Share of joint ventures' turnover	**2,621**	2,156
Continuing operations	**445,235**	297,951
Discontinued operations	**-**	11,810
External turnover	**445,235**	309,761

The Directors have not disclosed segmental information relating to profits/losses and net assets since they are of the opinion that to fully comply with the requirements of SSAP25 "Segmental Reporting" would be seriously prejudicial to the interests of the Group.

Details of segmental analysis in respect of Union Investment Management Limited which was acquired during the year are disclosed in note 30. The amounts are not material to the Group's results and have not therefore been disclosed separately as acquisitions in the profit and loss account.

As permitted by Section 230 of the Companies Act 1985, the Company has not presented its own Profit and Loss account. The profit after taxation for the financial year dealt with in the accounts of the Company was £796,000 (2001: restated profit of £400,000).

3 Gross profit and administrative expenses

	2002 £000	2001 £000
Gross profit:		
Continuing operations	**35,929**	23,897
Discontinued operations	**-**	3,645
	35,929	27,542
Administrative expenses		
Continuing operations	**32,584**	20,935
Discontinued operations	**-**	4,396
	32,584	25,331
Operating profit is arrived at after charging/(crediting):		
Auditors' remuneration - audit services (Company: £35,000; 2001: £68,000)	**170**	270
Depreciation of owned assets	**1,504**	919
Depreciation of assets held under finance leases	**213**	117
Amortisation of goodwill	**758**	752
Amortisation of negative goodwill	**(1,251)**	(315)
Impairment of goodwill	**-**	483
Operating lease rentals - Plant and machinery	**977**	102
Operating lease rentals - Motor vehicles	**1,444**	1,743
Operating lease rentals - Other	**3,319**	3,409
Profit on sale of fixed assets	**(112)**	(171)

Fees of £34,000 (2001: £nil) were paid to RSM Robson Rhodes for non-audit services in the UK.

Fees of £307,000 (2001: £334,000) were paid to PricewaterhouseCoopers, the previous auditors, for non-audit services during the year.

Other operating income relates to continuing activities and reflects the Group's investment activity and includes the profit on sale of investments, and management fees charged to associates less provisions for the write down of current asset investments.

4 Exceptional items

The profit on ordinary activities is stated after charging/(crediting) the following exceptional items:

	2002 £000	2001 £000
Profit on sale of properties within continuing operations	**-**	(637)
Loss on disposal of discontinued operations	**-**	101

Due to the tax losses available for relief, the impact of tax upon the above exceptional items is not considered material.

Notes to the Accounts

5 Interest payable

	2002 £000	2001 £000
On bank loans and overdrafts	568	540
Other interest payable	71	11
	639	551

6 Employee numbers and remuneration

	2002 No.	2001 No.
The average monthly number of employees, including executive Directors, during the year was:	1,933	1,512
At 30 September	1,849	2,026
The analysis of average monthly number of employees, including executive Directors, during the year was:		
Continuing		
Construction	1,890	1,328
Other	43	44
Discontinued	-	140
	1,933	1,512
Cost of staff, including executive Directors, during the year amounted to:	£000	£000
Wages and salaries	55,280	31,831
Social security costs	5,369	2,604
Other pension costs	2,481	1,708
	63,130	36,143

Details of individual Directors' emoluments and pension contributions can be found on page 19. These numbers have been audited.

7 Taxation receivable on ordinary activities

(a) Analysis of credit in year

	2002 £000	2001 £000
Current tax:		
UK corporation tax on profits of the year	32	93
Adjustments in respect of previous periods	317	(1)
	349	92
Foreign tax	5	(54)
Total current tax	354	38
Deferred tax	39	82
Group taxation	393	120
Share of associates' tax	(30)	-
Taxation receivable on profit on ordinary activities	363	120

Notes to the Accounts

7 Taxation receivable on ordinary activities (continued)

(b) Factors affecting tax charge for the year

The taxation assessed for the year is lower than the standard rate of tax in the United Kingdom as a result of the utilisation of tax losses available within the Group. In accordance with the requirements of FRS19 deferred tax has been provided in respect of losses where the recoverability can be assessed with reasonable certainty. The principal differences are explained below:

	2002 £000	2001 £000
Profit on ordinary activities before taxation	**4,851**	3,534
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	**(1,455)**	(1,060)
Effects of:		
Income/expenses not deductible for tax purposes	**716**	(86)
Capital allowances for period in excess of depreciation	**(45)**	(51)
Utilisation of tax losses	**821**	1,236
Adjustments to tax charge in respect of previous periods	**317**	(1)
Current tax credit for the year	**354**	38

The Group and Company have available further unused tax losses to carry forward against future taxable profits. A significant element of these losses relate to activities which are not forecast to generate the level of profits needed to utilise these losses in the foreseeable future. A deferred tax asset has been provided to the extent considered reasonable by the Directors. It is likely therefore that the Group will experience tax payments from 2003 onwards.

(c) Deferred tax

In accordance with FRS19 the accounting policy for deferred tax has changed. The effect of the change in policy has been to increase profit for the financial year by £39,000 (2001: £82,000) and has increased shareholders' funds by £121,000 (2001: £82,000). There has been no change in the tax rate applied in calculating deferred tax.

The deferred tax asset comprises:

	2002 £000	2001 £000
Accelerated capital allowances	**51**	6
Short-term timing differences	**(200)**	20
Tax losses	**270**	56
	121	82

8 Dividends

	2002 Pence	2001 Pence
Interim dividend	**0.5**	-
Final dividend	**0.6**	1.0
Total dividend	**1.1**	1.0
	£000	£000
Interim	**392**	-
Final	**470**	609
Total dividend	**862**	609

9 Earnings per Ordinary Share

	2002 Earnings £000	2002 Weighted average number of shares 000s	2002 EPS Pence	2001 Earnings £000 Restated	2001 Weighted average number of shares 000s	2001 EPS Pence
FRS14 Basis						
Basic earnings per share	5,067	69,893	7.25	3,613	67,603	5.34
Dilutive effect of options	-	1,137	(0.12)	-	577	(0.04)
Diluted earnings per share	5,067	71,030	7.13	3,613	68,180	5.30

Notes to the Accounts

10 Intangible fixed assets

	Goodwill £000	Negative goodwill £000
Group		
Cost:		
At 1 October 2001	3,323	(1,261)
Additions (note 30)	4,236	-
Adjustment	-	1,261
At 30 September 2002	7,559	-
Amortisation:		
At 1 October 2001	1,305	(315)
Charge for year	443	315
At 30 September 2002	1,748	-
Net book value:		
30 September 2002	**5,811**	-
30 September 2001	2,018	(946)

Revision to the fair value of assets acquired as part of the acquisition of Allenbuild has resulted in the elimination of the negative goodwill balance reported last year and the creation of positive goodwill of £1,841,000. The other significant addition during the year was the goodwill of £2,395,000 arising on the completion of the acquisition of VHE Holdings plc.

During the year the Directors changed the period of amortisation of goodwill/negative goodwill on acquisition of subsidiary undertakings from five years to twenty years to properly reflect the long-term nature of the Group's investment in these undertakings. The impact of this change has been to reduce the goodwill charge in the current accounting period by £1,061,000.

11 Tangible fixed assets

	Freeholds £000	Long leaseholds £000	Landfill development £000	Plant, vehicles & equipment £000	Total £000
Group					
Cost or valuation:					
1 October 2001	7,399	736	781	4,466	13,382
Reversal of fair value adjustment	(4,818)	-	-	-	(4,818)
Fair value adjustment	877	-	-	-	877
Acquisitions	11,211	-	-	-	11,211
Additions	41	1	-	2,375	2,417
Disposals	(466)	-	-	(2,223)	(2,689)
30 September 2002	14,244	737	781	4,618	20,380
Depreciation:					
1 October 2001	171	184	16	682	1,053
Charge for the year	184	5	135	1,393	1,717
Disposals	-	-	-	(1,616)	(1,616)
30 September 2002	355	189	151	459	1,154
Net book value:					
30 September 2002	**13,889**	**548**	**630**	**4,159**	**19,226**
30 September 2001	7,228	552	765	3,784	12,329
At cost less depreciation	13,185	-	630	4,159	17,974
At Directors' valuation	704	548	-	-	1,252
30 September 2002	**13,889**	**548**	**630**	**4,159**	**19,226**
Historical cost of revalued properties:					
Cost	704	669	-	-	1,373
Accumulated depreciation	-	194	-	-	194
30 September 2002	**704**	**475**	-	-	**1,179**

The net book value of tangible fixed assets above includes an amount of £652,000 (2001: £937,000) in respect of assets held under finance leases. Included in freehold and leasehold properties are investment properties included at a Directors' valuation of £1,252,000 which are not depreciated. The fair value adjustments shown above relate to the completion of the acquisition of VHE Holdings plc as set out in note 30 (b).

Notes to the Accounts

11 Tangible fixed assets (continued)

	Freeholds £000	Long leaseholds £000	Plant, vehicles & equipment £000	Total £000
Company				
Cost or valuation:				
1 October 2001	762	742	831	2,335
Additions	-	-	434	434
Disposals	(46)	-	(54)	(100)
30 September 2002	716	742	1,211	2,669
Depreciation:				
1 October 2001	25	194	705	924
Provision for year	-	-	92	92
Disposals	(13)	-	(37)	(50)
30 September 2002	12	194	760	966
Net book value:				
30 September 2002	**704**	**548**	**451**	**1,703**
30 September 2001	737	548	126	1,411
At cost less depreciation	-	-	451	451
At Directors' valuation	704	548	-	1,252
30 September 2002	**704**	**548**	**451**	**1,703**
Historical cost of revalued properties:				
Cost	704	669	-	1,373
Accumulated depreciation	-	194	-	194
30 September 2002	**704**	**475**	-	**1,179**

12 Investments

	Other Investments £000	Quoted Investments £000	Total £000
Group			
Shares at cost:			
At 1 October 2001	30	1,036	1,066
Disposals	-	(1,036)	(1,036)
At 30 September 2002	**30**	-	**30**
Provisions:			
At 1 October 2001	-	1,036	1,036
Disposals	-	(1,036)	(1,036)
At 30 September 2002	-	-	-
Net book value:			
30 September 2002	**30**	-	**30**
30 September 2001	30	-	30

	Other investments £000	Subsidiary undertakings £000	Total £000
Company			
1 October 2001	30	159,026	159,056
Purchased during the year	-	4,388	4,388
Transferred to group company	-	(10,852)	(10,852)
	30	152,562	152,592
Provisions:			
At 1 October 2001 and 30 September 2002	-	64,880	64,880
Net book value:			
30 September 2002	**30**	**87,682**	**87,712**
30 September 2001	30	94,146	94,176

Details of the principal subsidiary undertakings are included in note 31.

Notes to the Accounts

13 Investments in joint ventures

The investments in joint ventures consist of:

	Share of net assets £000	Loan advances £000	Total £000
Group			
1 October 2001	4,996	1,448	6,444
Exchange movements	(316)	(92)	(408)
Loan repayment	-	(830)	(830)
Reclassification	2,016	-	2,016
30 September 2002	**6,696**	**526**	**7,222**

The Group's share of assets and liabilities in these joint ventures comprises:

	2002 £000	2001 £000
Development land and properties	**10,893**	11,497
Debtors	**7,888**	9,317
Cash	**51**	63
Gross assets	**18,832**	20,877
Less:		
Creditors	**(8,182)**	(8,761)
Partner loans	**(1,553)**	(3,192)
Medium-term loans	**(2,401)**	(3,928)
Gross liabilities	**(12,136)**	(15,881)
Share of net assets	**6,696**	4,996

The Company has given facility guarantees in respect of joint venture borrowings as follows:

	2002 £000	2001 £000
Amount of facility guaranteed	**2,868**	3,810
Amount of borrowings under guaranteed facilities	**1,180**	3,928

In addition to the guarantees and borrowings shown above, a letter of credit for £1,741,000 (2001: £1,837,000) remains outstanding at 30 September 2002. This letter of credit was issued by Barclays Bank plc to Allfirst Bank in the US in respect of the Russett Center joint venture, which is guaranteed by the Company.

During the year the US subsidiary reanalysed provisions against certain debtor balances. The provisions were transferred from joint venture debtors to those directly held by the subsidiary. Whilst this has resulted in an increase in the Group's share in its joint ventures of £2,016,000, it has not changed the overall level of provisions carried in US operations.

Notes to the Accounts

14 Investments in associates

The investments in associates consist of:

	2002 £000
Group	
Share of net assets	
At 1 October 2001	-
Acquisitions	14,009
Share of retained loss for the year	(595)
At 30 September 2002	13,414
Goodwill	
At 1 October 2001	-
Arising on acquisitions	(6,370)
Amortisation in year	1,251
At 30 September 2002	(5,119)
Net assets	
At 30 September 2002	8,295
At 30 September 2001	-

The investments in associates had an initial purchase cost of £7,639,000. The associates at 30 September 2002 were:

Company name	Country of incorporation	Principal activity	Company and Group interest in Ordinary Shares
Cape plc	United Kingdom	Building materials and industrial services	29.90%
Bullough plc	United Kingdom	Office furniture and heating control systems	29.86%
Jarvis Porter Group plc	United Kingdom	No operating businesses - cash shell	26.60%

15 Stocks and work in progress

Group	2002 £000	2001 £000
Residential developments and undeveloped land	7,127	11,785
Commercial developments	14,207	11,646
Raw materials	1,534	2,299
	22,868	25,730

16 Debtors

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Due after more than one year:				
Mortgage debtors	1,724	1,880	-	-
Amounts recoverable on contracts	561	306	-	-
Other debtors	105	408	-	-
Amount owed by group joint venture	-	-	1,253	1,252
	2,390	2,594	1,253	1,252
Due within one year:				
Trade debtors	28,668	31,479	665	696
Due from subsidiary undertakings	-	-	25,513	14,967
Amounts recoverable on contracts	52,023	42,254	-	-
Mortgage debtors	2,113	2,630	-	-
Other debtors	3,639	8,347	2,006	1,419
Corporation tax	565	1,520	380	-
Deferred tax (note7)	121	82	121	82
Prepayments and accrued income	2,569	1,955	894	520
	89,698	88,267	29,579	17,684

Notes to the Accounts

17 Current asset investments

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Listed investments at cost at 1 October	**3,285**	3,152	**3,285**	250
Purchased during the year	**11,815**	4,290	**11,665**	4,290
Transferred to associate investments	**(7,639)**	-	**(7,639)**	-
Transferred (to)/from other group companies	**-**	-	**(2,761)**	2,902
Disposed of during the year	**(394)**	(4,157)	**(394)**	(4,157)
At 30 September	**7,067**	3,285	**4,156**	3,285
Write down to market value	**(579)**	-	**(579)**	-
Market value at 30 September	**6,488**	3,285	**3,577**	3,285

The Group's current asset investments are principally in companies listed on the London Stock Exchange. Included within current asset investments are investments in the following companies where the Group has a shareholding in excess of 20% of the issued share capital but the Directors do not consider the Group to exercise significant influence over the respective companies.

Company	**Country of incorporation**	**Principal activity**	**Group interest**
Walker Greenbank plc	United Kingdom	Furnishings	25.6%
McLaren Construction Limited	United Kingdom	Construction	30.0%

18 Cash at bank and in hand

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Short-term deposits	**1,890**	3,739	**1,890**	3,696
Overnight deposits	**2,560**	-	**2,560**	-
Cash at bank	**1,890**	14,504	**-**	2,763
Cash in hand	**106**	25	**-**	-
	6,446	18,268	**4,450**	6,459

The short-term deposits include the net position on the US$ loan used as a hedging instrument against the US subsidiary companies and joint ventures. The deposits comprise a loan of £16.9m (US $25m translated at the year end rate) offset by the related bank deposit of £17.3m, which is equivalent to US $25m at a fixed rate of US $1.446 to £stg.

19 Creditors: amounts falling due within one year

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Bank loans and overdrafts - secured	**482**	5,650	**17,919**	-
Obligations under finance leases	**247**	373	**-**	-
Payments received on account	**4,781**	2,012	**-**	-
Trade creditors	**56,244**	43,269	**34**	210
Corporation tax	**-**	348	**-**	248
Other taxation and social security	**2,072**	3,443	**1,109**	680
Due to subsidiary undertakings	**-**	-	**89,130**	102,278
Other creditors	**1,564**	6,991	**512**	552
Accruals and deferred income	**59,782**	66,755	**1,204**	1,295
Proposed dividend	**470**	609	**470**	609
	125,642	129,450	**110,378**	105,872

Bank loans and overdrafts are secured by a fixed and floating charge over the net assets of the Group under the terms of a Debenture and Guarantee granted to Barclays Bank plc and others.

Notes to the Accounts

20 Creditors: amounts falling due after more than one year

Long-term debt

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Secured bank loans falling due:				
In one year or less	**482**	5,650	**-**	-
Between one and two years	**-**	390	**-**	-
Between two and five years	**100**	-	**-**	-
More than five years	**8,263**	-	**-**	-
	8,845	6,040	**-**	-
Less amount due within one year	**(482)**	(5,650)	**-**	-
	8,363	390	**-**	-

During the year the Group borrowed £8.36m at a floating rate of interest, secured against a freehold property. The first instalment of the repayment is due in June 2007, continuing every quarter until December 2011 when the balance of £7.4m will be due. The Group has an undrawn committed facility of £19,449,000 (2001: £14,090,000) which will expire within one year.

21 Creditors: amounts falling due after more than one year

Other creditors

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Obligations under finance leases	**135**	448	**-**	-
Accruals and deferred income	-	258	-	-
Other	-	154	-	-
	135	860	**-**	-

Obligations under finance leases comprise £133,000 (2001: £270,000) due between one and two years and £2,000 (2001: £178,000) due between two and five years.

22 Derivatives and other financial instruments

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments in managing the risks facing the Group can be found within the Directors' Report on page 20. The disclosures below do not include short-term debtors and creditors.

Interest rate profile of financial assets and liabilities

	Fixed rate weighted average interest rate %	Financial assets/(liabilities) Fixed rate £000	Floating rate £000	No interest charged £000	**Total £000**
2002					
Assets					
Sterling	-	-	**6,341**	**10,955**	**17,296**
Dollar	**1.8**	**578**	**1,042**	-	**1,620**
Liabilities					
Sterling	**8.1**	**381**	**8,845**	-	**9,226**
2001					
Assets					
Sterling	-	-	18,243	7,767	26,010
Liabilities					
Sterling	8.2	821	6,040	-	6,861

The sterling interest bearing liabilities accrue interest at a rate which is linked to the lender's base rate or LIBOR.

Notes to the Accounts

22 Derivatives and other financial instruments (continued)

Currency exposures

The only exposure of the Group to currency risk (i.e. exposure to gains or losses on foreign exchange which would be recognised in the profit and loss account) is in respect of the US dollar bank account which is maintained by the parent company in the UK. At 30 September 2002 the balance on this account was $64,000 (2001: $54,000).

All functional currencies of the Group operations are denominated in sterling, with the exception of the US operations.

Hedges

In November 2000 the Group undertook a loan hedge of $25m with Barclays Bank plc against the net assets of Lovell America Inc. This was undertaken primarily to hedge cash flows from the US to the UK as repayment of intra-group borrowings and also to reflect foreign exchange movements of retranslating the net assets of Lovell America Inc. at prevailing rates. It is expected that some form of hedge will remain in place while there are significant assets in the US. Exchange gains of £1,077,000 (2001: £280,000) were made during the year on foreign currency hedge borrowings. This has been offset in reserves against exchange losses arising on the inter-company loan and also on the net investment in Lovell America Inc.

Fair value of financial assets and liabilities

There are no material differences between the fair value and the book value of the Group's financial assets and liabilities.

23 Share capital

Group and Company

	2002 £000	2001 £000
Authorised:		
100,000,000 (2001: 88,784,949) Ordinary Shares of 10p each	**10,000**	8,878
Allotted, called up and fully paid:		
78,376,138 (2001: 60,888,538) Ordinary Shares of 10p each	**7,838**	6,089

Changes in share capital

A total of 17,487,600 10p Ordinary Shares were issued during the financial year. Of these, 17,461,834 Ordinary Shares were issued on 15 April 2002 at a price of 37p per share as part consideration in respect of the purchase of Union Investment Management Limited and connected assets (see note 30 (c)), and 25,766 Ordinary Shares were issued through early exercises of the SAYE scheme, no shares were bought back, resulting in a share capital figure of 78,376,138.

Unissued Ordinary Shares have been reserved for the Long Term Incentive Plan and Employee Sharesave Scheme. Outstanding options are as follows:

Scheme	Date of Grant or award	Date options exercisable	Exercise price £	Number of shares at 30 September 2002	Number of shares at 30 September 2001
Long Term Incentive Plan*	1997	18/02/00 – 18/02/05	0.18	531,982	531,982
Long Term Incentive Plan*	1999	11/02/02 – 11/02/07	0.10	383,770	383,770
Employee Sharesave Scheme	2000	01/10/03 – 31/03/04	0.1625	1,199,626	1,353,424

*The Schemes became exercisable upon satisfaction of the performance criteria. In order to meet the performance criteria for the allocation of the shares, the increase in Montpellier Group Plc's share price over the three year period from the date of allocation, must at least equal the median of the share price increase in the Building and Construction Sector over the same period published in the Financial Times, whereupon half of each of the allocations would be awarded. If the share price increase attained the top quartile the full allocation would be awarded, with a sliding scale between these two points. Any balance shall lapse. In certain circumstances, options may be exercised earlier than the dates given. At 30 September 2002, the market price per Ordinary Share of Montpellier Group Plc was 33.25p.

Notes to the Accounts

24 Reserves

Group	Share premium £000	Revaluation £000	Capital £000	Profit & Loss Account £000
1 October 2001	1,066	73	1,846	14,571
Prior year deferred tax	-	-	-	82
1 October 2001: restated	1,066	73	1,846	14,653
Share issue	4,716	-	-	-
Exchange adjustments	-	-	-	(63)
Transfer from profit and loss account of the year	-	-	-	4,205
30 September 2002	**5,782**	**73**	**1,846**	**18,795**

Cumulative goodwill of £5,512,000 (2001: £5,512,000) arising on the acquisition of existing subsidiary undertakings has been written off against the profit and loss account reserve.

Company	Share premium £000	Revaluation £000	Capital £000	Profit & Loss Account £000
1 October 2001	1,066	73	1,846	9,239
Prior year deferred tax	-	-	-	82
1 October 2001: restated	1,066	73	1,846	9,321
Share issue	4,716	-	-	-
Exchange adjustments	-	-	-	(121)
Transfer from profit and loss account of the year	-	-	-	796
30 September 2002	**5,782**	**73**	**1,846**	**9,996**

25 Reconciliation of movements in Group shareholders' funds

Group	**2002 £000**	2001 £000
1 October 2001	23,727	23,109
Prior year adjustment	-	82
1 October 2001: restated	23,727	23,191
Profit for the year	5,067	3,531
Share issue/(repurchase)	6,465	(2,770)
Exchange adjustments	(63)	384
Dividend	(862)	(609)
30 September 2002	**34,334**	**23,727**

26 Capital and leasing commitments

The Group has no capital commitments contracted for at either year end.
As at 30 September 2002, the Group had the following annual commitments under non-cancellable operating leases:

Leases expiring within:	Land & Buildings 2002 £000	Plant, Vehicles & Equipment 2002 £000	**Total 2002 £000**	Total 2001 £000
One year	113	724	**837**	412
Two to five years	295	880	**1,175**	2,207
Five or more years	3,341	-	**3,341**	3,017
30 September 2002	**3,749**	**1,604**	**5,353**	5,636

27 Contingent liabilities

The Company has guaranteed performance bonds in respect of contracts and leasing arrangements in the normal course of business.

Notes to the Accounts

28 Pension commitments

Defined benefit scheme

The defined benefit scheme was closed to new members in June 2000.

On 1 August 2001, the Board decided that no further benefits would accrue to existing members with more than five years expected service life remaining. These members were transferred to the defined contribution scheme but retained the benefits earned to date under the defined benefit scheme. The defined benefit scheme is continuing and will meet the pension obligations of current and deferred members and pensioners.

The most recent SSAP24 actuarial valuation of the scheme was carried out at 31 March 2000 by Watson Wyatt Partners, Independent Consulting Actuaries. The projected unit method was used both in assessing pension costs for accounting purposes and for funding the scheme. The most significant long-term assumptions were that investment returns would be 8.25% per annum, that general salary increases would average 2.5% per annum above the general level of price inflation and that pensions in payment would rise by 2.25% and deferred pensions would rise by 2.5%. At the date of the valuation, the market value of the assets of the Group scheme was £125m which represented 95% of the accrued benefits. In agreement with the Trustees of the scheme, the Group cash contribution was 12.8% of pensionable salaries from 1 April 1998 until 20 June 2001, when the contributions were increased to 25% of pensionable salaries. Under the projected unit method the current service cost will increase as members of the scheme approach retirement.

A valuation of the closed scheme under the Minimum Funding Requirement (MFR) rules was completed in July 2002. This indicated an MFR deficit of £6.9m. It is a requirement of the MFR rules that this deficit should be cleared over a maximum period of 10 years and the Group has accepted responsibility for the clearance of this deficit. The actuary has prepared a schedule of contributions showing required payments of £81,667 per month (£980,000 per annum) commencing in August 2002 for a 10 year period. Contributions to the cost of the defined benefit scheme comprise three key elements; the amounts payable in respect of the continuing members of the scheme, amounts paid to transfer members into the defined contribution scheme and the payments required to make up the deficit. The total amount charged to profit and loss in respect of the defined benefit scheme was £701,000 which includes two deficit payments totalling £163,000.

The Directors intend to monitor the deficit and funding position of the scheme and will seek and respond to advice given by the actuary. For 2002 the amount charged to profit and loss reflects the regular cost of pensions and the amortisation of the most recent SSAP24 actuarial deficit over the remaining service lives of relevant employees. The difference between amounts paid and amounts charged is recorded within accruals and deferred income.

FRS17 "Retirement Benefits"

The Group has continued to account for pensions in accordance with SSAP24 "Accounting for pension costs" and the disclosures given above are those required by that standard. FRS17 was issued in November 2000, however full recognition will not be mandatory for the Group and the Company until the year ended 30 September 2005. Prior to this, phased transitional disclosures are required from 30 June 2001.

The following disclosures required by FRS17 have been based on the most recent actuarial valuation as at 31 March 2000 carried out by Watson Wyatt Partners and subsequently reviewed by Barnett Waddingham, Consulting Actuaries, using the following financial assumptions:

The major assumptions used by the actuary were:	As at 30 September 2002	As at 30 September 2001
Rate of increase in salaries	3.81%	4.00%
LPI increases to pensions in payment	2.06%	2.25%
Discount rate	6.25%	6.25%
Inflation assumption	2.31%	2.50%
Increases to deferred pensions	2.31%	2.50%

The assets in the scheme and the expected rates of return were:	Value as at 30 September 2002 £000	Expected rate of return	Value as at 30 September 2001 £000	Expected rate of return
Equities	21,584	8.25%	29,088	8.25%
Bonds	90,520	6.25%	85,752	6.25%
Other	1,122	4.00%	478	4.00%
Total	113,226	6.71%	115,318	6.71%

The following amounts at 30 September were measured in accordance with the requirements of FRS17.

	At 30 September 2002 £000	At 30 September 2001 £000
Total market value of assets	113,226	115,318
Present value of scheme liabilities	121,029	120,042
Deficit in the scheme	7,803	4,724

Notes to the Accounts

28 Pension commitments (continued)

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserves would be as follows:

	At 30 September 2002 £000	At 30 September 2001 £000
Net assets excluding pension deficit	34,334	27,319
Pension deficit	(7,803)	(4,724)
	26,531	22,595
Profit and loss reserve excluding pension deficit	18,795	14,653
Pension deficit	(7,803)	(4,724)
	10,992	9,929

Deferred tax has not been recognised on the deficit shown above in accordance with the Group's accounting policy.

If the Group had recognised FRS17 in the financial statements, the following would have been the movements during the year:

	2002 £000
Amount that would have been charged to Operating Profit:	
Current service cost (excluding employee contributions)	305
Past service cost	183
Settlements and curtailments	-
	488
Amount that would have been charged to other financial income:	
Expected return on assets	7,604
Interest on scheme liabilities	(7,345)
	259
Amount that would have been recognised in the Statement of Total Recognised Gains & Losses:	
Actual less expected return on assets	(4,532)
Experience gains on liabilities	427
Effect of change in assumptions on liabilities	881
	(3,224)
Movement in the deficit during the year:	
Deficit brought forward	(4,724)
Current service cost (excluding employee contributions)	(305)
Cash contribution (excluding employee contributions)	374
Past service costs	(183)
Other financial income	259
Actuarial loss	(3,224)
Deficit carried forward	(7,803)

The negative return on the scheme assets of £4,532,000 was (4%) of the assets at the end of the year.
The experience gains on the scheme liabilities of £427,000 was 0.35% of the liabilities at the end of the year.
The total actuarial loss of £3,224,000 was (2.66%) of the liabilities at the end of the year.

Money Purchase scheme

The assets of the money purchase schemes are held in separate trustee-administered funds. As a result of the additional members transferred into the scheme, the Group made contributions of £1,780,000 (2001: £252,000) into the money purchase scheme and £nil (2001: £9,000) to the operatives' scheme.

Notes to the Accounts

29 Cash flow notes

	2002 £000	2001 £000
Operating profit	**4,101**	2,768
Amortisation of subsidiary goodwill	**758**	920
Depreciation	**1,717**	1,037
Exchange losses/(gains)	**377**	(99)
Decrease/(increase) in stocks and work in progress	**770**	(12,172)
Decrease in joint venture investment	**-**	7,251
Profit on sale of fixed assets	**(112)**	(171)
Profit on sale of current asset investments	**(97)**	-
(Decrease)/increase in operating debtors and prepayments	**(721)**	670
Increase in creditors and accruals	**2,105**	984
Investment write down	**579**	1,036
Goodwill adjustments and other non-cash movements	**(2,957)**	-
Net cash inflow from operating activities	**6,520**	2,224

Analysis of net funds/(debt)	At 1 October 2001 £000	Cashflow £000	Other non-cash changes £000	Exchange movements £000	**At 30 September 2002 £000**
Cash	14,529	(9,973)	-	-	**4,556**
Overdrafts	-	-	-	-	**-**
	14,529	(9,973)	-	-	**4,556**
Debt due after one year	(390)	(7,973)	-	-	**(8,363)**
Debt due within one year	(5,650)	5,168	-	-	**(482)**
Finance leases due after one year	(464)	314	16	-	**(134)**
Finance leases due within one year	(383)	126	10	-	**(247)**
	(6,887)	(2,365)	26	-	**(9,226)**
Liquid resources	3,739	(2,883)	-	1,034	**1,890**
	11,381	(15,221)	26	1,034	**(2,780)**

The exchange movement of £1,034,000 (2001: £382,000) above represents an unrealised exchange gain which is offset by an equal and opposite amount in the movement of the US balance sheet.

30 Acquisitions

The Group completed the following acquisitions during the year.

(a) "Allenbuild"

As required by FRS7 "Fair Values in acquisition accounting", the provisional fair values have been reviewed for the Allenbuild acquisition which was acquired on 8 June 2001. The following adjustments have been made to the provisional fair values.

Allenbuild acquisition	Provisional Book Value £000	Adjustment £000	Final Fair Value £000
Fixed assets	599	-	599
Stock and Work in Progress	3,103	-	3,103
Debtors	39,779	(2,691)	37,088
Cash at Bank and in Hand	12,589	(398)	12,191
Creditors due within one year	(53,394)	-	(53,394)
Net assets/(liabilities) acquired	2,676	(3,089)	(413)
Goodwill on acquisition of Allenbuild			1,841
Consideration, including costs:			1,428
Consideration satisfied by:			
Cash			1,428
			1,428

Adjustments in respect of debtors predominately comprises additional loss provisions against existing contracts, together with other debtor balances written down. Adjustments in respect of Cash at Bank and in Hand comprise the write down of an overstated cashbook balance.

Notes to the Accounts

30 Acquisitions (continued)

(b) VHE Holdings plc

Between October and December 2001, the Group acquired the minority interest's 41.24% share in VHE Holdings plc for consideration of £3,739,000, bringing its total shareholding to 100% on 14 December 2001. The total consideration paid was £8,825,000, the net assets acquired were £6,430,000 and the goodwill on acquisition was £2,395,000.

(c) Union Investment Management Limited and other assets acquired

On 27 March 2002, the Group acquired, at net book value of £598,000, 100% of the ordinary share capital of Union Investment Management Limited, together with other assets.

	Provisional Book Value and Fair Value £000
Union Investment Management Ltd and other assets acquired	
Tangible fixed assets	11,102
Investments	11
Debtors	98
Cash at Bank and in Hand	532
Current asset investments	2,726
Creditors due within one year	(46)
Net assets acquired	14,423
Goodwill on acquisition of Union Investment Management Ltd	-
Consideration	14,423
Consideration satisfied by:	
Cash	7,962
Ordinary share capital issued	6,461
	14,423

From the date of acquisition to 30 September 2002, Union Investment Management Limited contributed £nil to turnover. The company also made a loss of £10,000 before interest and a loss of £7,000 after interest.

Union Investment Management Limited contributed an outflow of £25,000 to the Group's net operating cash flows, received £3,000 in respect of interest, paid £19,000 in respect of taxation and utilised £nil for capital expenditure.

In the 15 months to 27 March 2002, Union Investment Management Limited made a profit before tax of £62,000 and a profit for the financial period of £43,000, on a turnover £184,000. The profit for the financial year ended 31 December 2000 was £8,000.

The book value of the assets and liabilities have been taken from both the management accounts of Union Investment Management Limited and other management sources at 27 March 2002 (date of acquisition).

(d) Other

On 2 August 2001, Montpellier Group Plc acquired the remaining 50% of Arle Court Developments Limited for £1. Goodwill of £483,000 arose on the transaction which was fully written down during the year subsequent to an impairment review.

On 31 December 2000, the trade and certain assets of W F Knight and Sons Limited were sold for £11,000, realising a loss on disposal of £312,000.

Notes to the Accounts

31 Principal subsidiary undertakings and joint ventures

The Company acts as the holding company of the Group. The principal activities are construction, property and investment.

The principal subsidiary undertakings and joint ventures are shown below.

Subsidiary undertakings	Registration & principal place of business	Proportion of Ordinary Shares held by Company
Construction		
YJL Construction Ltd	England	100%
Bullock Construction Ltd	England	100%
Walter Lilly & Co Ltd	England	100%
Allenbuild Ltd	England	100%
VHE Holdings plc	England	100%
Britannia Construction Ltd	England	100%
Lodge & Sons (Builders) Ltd	England	100%
Hatchpaines Construction Ltd	England	100%
YJL (London) Ltd	England	100%
YJL Facilities Ltd	England	100%
Britannia Interior Contracts Ltd	England	100%
Cornhill Interiors Ltd	England	100%
Property		
Cheltenham Land Company Ltd	England	100%
YJL Homes Ltd	England	100%
Lovell America Inc	USA	100%
Investment		
Union Investment Management Ltd	England	100%
Joint venture		% Interest
Russett Center	USA	50%

32 Transactions with related parties

The Group received various recharges of £205,000 (2001: £270,000) from its joint ventures and provided a management service to others without charge. Guarantees by the Group in respect of joint venture borrowings are detailed in note 13.

On 27 March 2002 the Group acquired assets, including Union Investment Management Limited from Förvaltnings AB Browallia, the parent company of a major shareholder of the Company. The relevant details of the acquisition are listed in note 30.

The Group provided the services of Paul Sellars and such other Montpellier management as required to Cape plc for an annual fee of £250,000. This commenced on 1 November 2001.

FRS8 "Related Party Transactions", requires the disclosure of the details of material transactions between the reporting entity and related parties. The Group has taken advantage of exemptions under FRS8 not to disclose transactions between Group companies.

33 Ultimate holding company

The Directors consider the Company's ultimate holding company to be Christineborg Holdings AB (formerly Bransta Förvaltnings AB), which is incorporated in Sweden. Copies of that company's accounts are available from PRV Patent och Registeringsverket, Bolag, 851 81 Sundsvall, Sweden.

Five Year Review

Year ended	2002 £000	Restated 2001 £000	2000 £000	1999 £000	1998 £000
Fixed assets	**40,584**	19,875	24,959	19,759	18,886
Net current assets/(liabilities)	**2,248**	8,694	(1,047)	12,559	10,197
Long-term liabilities	**(8,498)**	(1,250)	(803)	(11,770)	(17,820)
Net assets employed	**34,334**	27,319	23,109	20,548	11,263
Ordinary capital	**7,838**	6,089	7,167	7,660	7,660
Other capital	**-**	-	-	-	19,252
Reserves	**26,496**	17,638	15,942	12,888	(15,649)
Minority interests	**-**	3,592	-	-	-
Shareholders' funds	**34,334**	27,319	23,109	20,548	11,263
Turnover	**445,235**	309,761	195,249	243,730	266,827
Profit/(loss) before taxation	**4,851**	3,534	2,031	8,518	(3,194)
Taxation recoverable/(payable)	**363**	120	(563)	-	34
Profit/(loss) after taxation	**5,214**	3,654	1,468	8,518	(3,160)
Minority interests	**(147)**	(41)	-	-	-
Ordinary dividends	**(862)**	(609)	-	-	-
Profit/(loss) retained	**4,205**	3,004	1,468	8,518	(3,160)
On balance sheet funds/(borrowings) (£m)	**(2.4)**	12.2	9.1	2.1	(10.8)
Off balance sheet borrowings (£m)	**(1.2)**	(3.9)	(2.9)	(5.4)	(12.2)
Total funds/(debt) (£m)	**(3.6)**	8.3	6.2	(3.3)	(23.0)
Earnings/(loss) per Ordinary Share (p)	**7.25**	5.34	1.90	11.10	(5.10)
Diluted earnings per Ordinary Share (p)	**7.13**	5.30	1.90	11.10	n/a
Dividend per Ordinary Share (p)	**1.1**	1	-	-	-
Net assets per Ordinary Share (p)	**43.8**	38.9	32.2	26.8	18.2

Note

The results for 2002 and 2001 have been restated to reflect the implementation of FRS19. Prior periods do not reflect the implementation of this standard.

Shareholder Information

Annual General Meeting 26 February 2003

Results Announcement of interim results – June 2003
Preliminary announcement of full year results - December 2003

Ownership of Ordinary Shares

December 2002	Number of shareholders	%	Number of Ordinary Shares 000	%
Size of shareholdings				
1 – 1,000	2,765	62.16	1,016,177	1.30
1,001 – 5,000	1,060	23.83	2,754,708	3.51
5,001 – 10,000	301	6.77	2,397,776	3.06
10,001 – 100,000	284	6.39	8,539,470	10.89
100,001 – 250,000	18	0.40	2,753,201	3.51
250,001 – 500,000	9	0.20	3,131,803	4.00
500,001 – 1,000,000	6	0.14	4,360,584	5.56
1,000,001 and over	5	0.11	53,435,095	68.17
	4,448	100.00	78,388,814	100.0
Category of owner				
Private shareholders	4,226	94.21	32,888,926	41.96
Holding company	6	0.13	50,905	0.06
Limited company	37	0.91	2,151,893	2.75
Nominee company	172	4.58	42,682,105	54.45
Public company	3	0.06	600,005	0.76
Trust or pension fund	4	0.11	14,980	0.02
	4,448	100.00	78,388,814	100.00

Directors and Advisors

Directors
C A Scroggs
P J P V Gyllenhammar
R Feast
P Sellars FCA

Company Secretary
A N McArthur FCA

Company Number
650447

Registered Office
39 Cornhill
London
EC3V 3NU

Web-site address
www.montpelliergroup.plc.uk

Registrars
Northern Registrars Ltd
Cresta House
Alma Street
Luton
Bedfordshire
LU1 2PU

Stockbrokers
Rowan Dartington & Co Ltd
Colston Tower
Colston Street
Bristol
BS1 4RD

Auditors
RSM Robson Rhodes
186 City Road
London
EC1V 2NU

Principal Bankers
Barclays Bank Plc
Corporate Banking Centre
Eagle Point
1 Capability Green
Luton
LU1 3US

Solicitors
Charles Russell
Compass House
Lypiatt Road
Cheltenham
GL50 2QJ

MONTPELLIER
GROUP Plc

Notice of Annual General Meeting

Notice is hereby given that the forty-third Annual General Meeting of the Company will be held at 39 Cornhill, London EC3V 3NU on 26 February 2003 at 11.00 am.
The meeting will then consider the following business.

Ordinary Business

To consider and, if thought fit, to pass the following ordinary resolutions:

1 To receive and adopt the accounts for the year to 30 September 2002 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**

2. To declare a final dividend of 0.6 pence per share. **(Resolution 2)**

3. To re-elect the following Director who retires in accordance with the Company's Articles of Association:
P Sellars **(Resolution 3)**

4. To re-elect the following Director who retires in accordance with the Company's Articles of Association:
R Feast **(Resolution 4)**

5. To re-appoint RSM Robson Rhodes as Auditors of the Company and to authorise the Directors to determine their remuneration. **(Resolution 5)**

Special Business

To consider and, if thought fit, to pass the following resolutions of which resolution 6 shall be proposed as an ordinary resolution and resolution 7 as a special resolution:

6. That, in substitution for all previous authorities, which are hereby revoked, the Company be and is hereby generally and unconditionally authorised for the purpose of Section 166 of the Companies Act 1985 to make one or more market purchases (within the meaning of Section 163 of the said Act) of Ordinary Shares of 10p each in the capital of the Company ("Ordinary Shares") provided that:
   (a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is up to 15 per cent of the Ordinary Shares in issue at the date of this meeting, being 11,758,321 Ordinary Shares if no more Ordinary Shares are purchased and cancelled by the Company between the date of the notice convening this meeting and the date of this meeting, potentially reducing to 10,388,209 Ordinary Shares if the Company's current authority from shareholders to make market purchases of Ordinary Shares is utilised in full between the date of the notice convening this meeting and the date of this meeting;
   (b) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is an amount equal to 105 per cent of the average of the middle market quotations for an Ordinary Share taken from the daily official list of the London Stock Exchange for the five business days immediately preceding the day on which the Ordinary Share is purchased;
   (c) the minimum price (exclusive of expenses) which may be paid for an Ordinary Share is 10p, its nominal value;
   (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2004 or on 25 May 2004 whichever shall be the earlier;
   (e) the Company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts;
   (f) the foregoing authority may not be exercised if the result thereof would be to require any person to make a mandatory offer for the whole of the Ordinary Share capital of the Company not already owned by him or persons acting in concert with him pursuant to Rule 9 of the City Code on Takeovers and Mergers.

   (Resolution 6)

7. That, pursuant to the general and unconditional authority to the Directors to allot relevant securities (within the meaning of Section 80 (2) of the Companies Act 1985) conferred for the period ending 26 March 2007 by a special resolution passed at the Extraordinary General Meeting held on 27 March 2002, the power conferred upon the Directors by regulation 9(B) (ii) of the Company's Articles of Association to allot equity securities wholly for cash be renewed for the period ending on the date of the Annual General Meeting in 2004 or on 25 May 2004, whichever is the earlier, and for such period the "Section 89 Amount" referred to in regulation 9 of the Company's Articles of Association shall be £391,944.

   (Resolution 7)

14 January 2003
Registered Office
39 Cornhill
London
EC3V 3NU

By Order of the Board
A N McARTHUR FCA
Secretary

Notes

1 Holders of Ordinary Shares are entitled to attend and vote at this meeting. A shareholder entitled to attend and vote may appoint a proxy, who need not be a shareholder of the Company, to attend (and on a poll to vote) instead of him or her.

2. Proxy forms and the powers of attorney or other authority, if any, under which they are signed need to be deposited at the office of the Company's Registrars, Northern Registrars Ltd., PO Box 30, Cresta House, Alma Street, Luton LU1 2BR, not later than 48 hours before the time of the meeting. Completion of a form of proxy will not preclude a shareholder from attending and voting in person at the meeting.

3. In accordance with the Companies Act 1985 and with the requirements of the London Stock Exchange, a register of Directors' interests in the share capital and debentures of the Company, together with copies of service agreements under which Directors of the Company are employed, is available for inspection at the Company's registered office during normal business hours from the date of this notice until the date of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the Meeting.

4. **Resolution 6:** The details and background to the resolution to renew the authority to the Company to make limited market purchases of its own shares are set out in the Directors' Report.

5. **Resolution 7:** By resolution 7 your Directors are seeking renewal of the power to allot shares for cash for the purposes of a rights issue or in connection with a scrip dividend offer, or otherwise than in connection with a rights issue or a scrip dividend offer but in such circumstances limited to the issue of shares up to an aggregate nominal value of £391,944, being 5 per cent of the issued Ordinary Share capital at 14 January 2003. If given, this power will expire at the Company's AGM in 2004 or on 25 May 2004, whichever is earlier.