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ABBAY DEVELOPMENTS LIMITED

REPORT AND ACCOUNTS

30 APRIL 2003



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ABBAY DEVELOPMENTS LIMITED

COMPANY INFORMATION

DIRECTORS : C. H. Gallagher (Chairman)
B. R. Hawkins (Managing Director)
W. P. Callinan
D.J. Dawson
I.A. Mortimer

SECRETARY : D.J. Dawson

REGISTERED OFFICE : Abbey House
2 Southgate Road
Potters Bar
Hertfordshire EN6 5DU

Telephone : Potters Bar (01707) 651266
Fax : Potters Bar (01707) 646836

REGISTERED NO. : 0348843

AUDITORS : Ernst & Young
Chartered Accountants
Ernst and Young Building
Harcourt Centre
Harcourt Street
Dublin 2
Ireland

BANKERS : Barclays Bank plc
Barclays Business Centre
St. Albans Branch
Blenheim Gate
22/24 Upper Marlborough Road
St. Albans
Hertfordshire AL1 3AL

SOLICITORS : Dickins Shiebert
Matthew House (first floor)
45/47 High Street
Potters Bar
Hertfordshire EN6 5AW

ABBAY DEVELOPMENTS LIMITED

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DIRECTORS' REPORT

The directors present their report and the accounts for the year ended 30 April 2003.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £13,383,695. The directors paid interim dividends of £632,500 (12.65 pence per ordinary share) on 9 October 2002 and £1,675,000 (33.50 pence per ordinary share) on 17 February 2003, and propose a final dividend of £3,449,000 (68.98 pence per ordinary share), making the total ordinary dividends £5,756,500 for the year, which leaves a retained profit of £7,627,195.

PRINCIPAL ACTIVITIES

The company's principal activities during the period continued to be residential housing and land development. The company intends to continue and develop its activities.

REVIEW OF THE BUSINESS

A review of the business of the Abbey plc group, of which the company forms a part, is given in the 2003 Report and Accounts of the ultimate holding company, Abbey plc.

The board commends and thanks the management and staff of the company for their continued loyalty, efforts and commitment.

DIRECTORS AND THEIR INTERESTS

All the Directors stated above held office throughout the period.

Mr D.J. Dawson and Mr I. A. Mortimer retire by rotation from the Board at the Annual General Meeting and, being eligible, offer themselves for re-election.

The directors who held office at the end of the financial period had, at no time, any beneficial interest in the shares of the company. Mr. C. H. Gallagher and Mr.B.R. Hawkins were directors of the ultimate holding company, Abbey plc, and their interests in the shares of Abbey plc are disclosed in that company's directors' report.

DIRECTORS' REPORT (con't)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- * select suitable accounting policies and then apply them consistently;
- * make adjustments and estimates that are reasonable and prudent;
- * comply with applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- * prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.

AUDITORS

The auditors, Ernst and Young, Chartered Accountants, have expressed a willingness to continue in office and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

By order of the board



D.J. Dawson
Secretary

16 July 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ABBEY DEVELOPMENTS LIMITED

We have audited the company's financial statements for the year ended 30 April 2003, which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

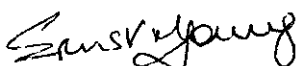
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 April 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor

Dublin

16 July 2003

ABBAY DEVELOPMENTS LIMITED

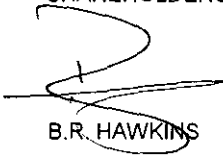
**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 APRIL 2003**

	Note	2003 £	2002 £
TURNOVER - continuing	2	66,955,780	52,139,590
COST OF SALES		(45,333,541)	(34,879,988)
GROSS PROFIT		21,622,239	17,259,602
ADMINISTRATIVE EXPENSES		(3,609,228)	(3,327,113)
OTHER OPERATING INCOME		110,601	100,348
OPERATING PROFIT - continuing	3	18,123,612	14,032,837
Interest	6	858,931	625,912
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		18,982,543	14,658,749
Taxation	7	(5,598,848)	(4,398,736)
PROFIT FOR THE FINANCIAL YEAR		13,383,695	10,260,013
Dividends	8	(5,756,500)	(3,562,500)
PROFIT RETAINED FOR THE FINANCIAL YEAR	16	7,627,195	6,697,513

There are no recognised gains or losses in either year other than the profit attributable to shareholders.

ABBEE DEVELOPMENTS LIMITED
BALANCE SHEET - 30 APRIL 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Tangible assets	9	326,038	301,299
Investments	10	3	3
		326,041	301,302
 CURRENT ASSETS			
Stocks	11	56,775,328	50,628,524
Debtors	12	8,429,858	1,031,094
Cash at bank and in hand		14,689,513	15,827,507
		79,894,699	67,487,125
 CREDITORS: Amounts falling due within one year	13	(24,410,553)	(19,078,383)
 NET CURRENT ASSETS		55,484,146	48,408,742
 TOTAL ASSETS LESS CURRENT LIABILITIES		55,810,187	48,710,044
 CREDITORS: Amounts falling due after more than one year	14	(500,003)	(1,027,055)
 TOTAL ASSETS LESS LIABILITIES		55,310,184	47,682,989
 CAPITAL AND RESERVES			
Called up share capital	15	5,000,000	5,000,000
Profit and loss account	16	50,310,184	42,682,989
 SHAREHOLDERS' FUNDS (All equity interest)	16	55,310,184	47,682,989



B.R. HAWKINS

Director
16 July 2003

NOTES TO THE ACCOUNTS - 30 APRIL 2003

1 ACCOUNTING POLICIES

(a) Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Cash flow statement

Under the provisions of Financial Reporting Standard 1 (Revised 1996) "Cash Flow Statements", exempts subsidiary undertakings from the requirement to prepare a cash flow statement where 90% or more of the voting rights are controlled by a group that prepares publicly available consolidated financial statements in which the subsidiary undertaking's results are included. The company has availed of this exemption.

(c) Depreciation

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

Plant and machinery	- 8 years
Motor vehicles	- 3 years
Fixtures and fittings	- 4 years
Computers	- 2 years

(d) Stocks

Stocks are stated at the lower of cost and net realisable value.

(i) Building land and roads

Building land and roads are stated at the lower of cost and net realisable value less an appropriate proportion relating to plots sold in the case of estates in the course of development.

(ii) Raw materials and bought in stocks

The cost of raw materials and bought in stocks comprises net invoice price on an average cost basis.

(iii) Work in progress

The cost of uncompleted and unsold new properties comprises direct labour and material costs. No profits are taken until houses are conveyed on legal completion to third parties.

Net realisable value is estimated selling price less all further costs to completion and less all costs to be incurred in marketing and selling.

(e) Pensions

Pension costs are recognised on a systematic basis such that the cost of providing retirement benefits to employees are evenly matched, so far as is possible, to the average service lives of those employees.

(f) Leasing

Operating lease rentals are charged to the profit and loss account as incurred.

ABBAY DEVELOPMENTS LIMITED
NOTES TO THE ACCOUNTS - 30 APRIL 2003
2 TURNOVER

Turnover derives from one continuing activity, the sale of houses and land plots to third parties.

All business was transacted in the United Kingdom.

3 OPERATING PROFIT

	2003	2002
	£	£
The operating profit is stated after charging / (crediting):		
Management charge payable to parent undertaking	948,000	948,000
Depreciation of tangible fixed assets	176,321	109,708
Profit on disposal of tangible fixed assets	(707)	(8,179)
Operating lease rentals:		
Rent of land and buildings	113,100	113,100
Hire of plant and machinery	258,639	268,813
Auditors' remuneration - audit fees	27,500	20,800
- non audit fees	10,600	10,000
Income from ground rents	(110,601)	(100,348)

4 STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	2003	2002
	£	£
Wages and salaries	1,889,191	1,778,004
Social security costs	161,403	152,111
Pension costs	260,895	158,987
	2,311,489	2,089,102

The average monthly number of persons directly employed by the company during the period, excluding subcontractors engaged on the company's development sites, was:

2003	2002
62	61

ABBEEY DEVELOPMENTS LIMITED
NOTES TO THE ACCOUNTS - 30 APRIL 2003
5 REMUNERATION OF DIRECTORS

	2003 £	2002 £
Emoluments in respect of qualifying services	347,609	304,225
Pension contributions	47,483	20,767
	395,092	324,992

The number of directors to whom retirement benefits are accruing in respect of qualifying services under defined benefit schemes is 3 (2002: 3)

The amounts in respect of the highest paid director were:

	2003 £	2002 £
Emoluments in respect of qualifying services	207,061	184,841
Pension contributions	22,293	10,167
	229,354	195,008

The accrued pension of the highest paid director at 30 April 2003 was £38,800 (2002 : £34,980).

6 INTEREST

	2003 £	2002 £
Payable:		
Bank loans and overdraft repayable within five years	(237)	(934)
Other	(258)	(681)
Total interest payable	(495)	(1,615)
Receivable:		
Bank	688,563	527,286
Parent undertaking	103,691	91,755
Other	67,172	8,486
Total interest receivable	859,426	627,527
Net Interest receivable	858,931	625,912

7 TAXATION

The tax charge is made up as follows:

	2003 £	2002 £
Based on the profit for the year:		
Corporation tax at 30.00% (2002: 30.00%)	5,598,848	4,398,736
Corporation tax under provided in prior years	-	-
	5,598,848	4,398,736

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30.00% (2002: 30.00%). The difference is reconciled below.

	30.00%	30.00%
Standard rate of corporation tax	30.00%	30.00%
Group relief	(0.50%)	-
	30.50%	30.00%

NOTES TO THE ACCOUNTS - 30 APRIL 2003

8 DIVIDENDS

	2003 £	2002 £
Ordinary - interim paid 12.65 p	632,500	-
- interim paid 33.50 p (2002 - 27.00 p)	1,675,000	1,350,000
- final proposed 68.98 p (2002 - 44.25 p)	3,449,000	2,212,500
	5,756,500	3,562,500

9 TANGIBLE FIXED ASSETS

	Plant and Machinery £	Motor Vehicles £	Fixtures and Fittings £	Computers £	Total £
Cost					
At 1 May 2002	33,342	445,800	369,347	103,380	951,869
Additions	-	217,308	5,933	7,620	230,861
Disposals	-	(205,992)	(7,650)	(8,301)	(221,943)
	33,342	457,116	367,630	102,699	960,787
Depreciation					
At 1 May 2002	14,691	229,955	355,638	50,286	650,570
Provided during the year	3,751	119,098	3,561	49,911	176,321
Disposals	-	(178,838)	(6,885)	(6,419)	(192,142)
	18,442	170,215	352,314	93,778	634,749
Net book value					
At 30 April 2003	14,900	286,901	15,316	8,921	326,038
At 30 April 2002	18,651	215,845	13,709	53,094	301,299

ABBEE DEVELOPMENTS LIMITED
NOTES TO THE ACCOUNTS - 30 APRIL 2003
10 FIXED ASSET INVESTMENTS

	Investment in Subsidiary Undertakings	
	£	
Cost		
At 1 May 2002 and 30 April 2003	3	
	2003	2002
	£	£
Investment in subsidiary undertakings at original cost:		
At beginning and end of year	3	3
Loans to subsidiary undertakings:		
At beginning and end of year	206,261	206,261
Total cost of shares and loans	206,264	206,264
Provisions:		
At beginning and end of year	(206,261)	(206,261)
Net book value:		
At 30 April 2003 and 30 April 2002	3	3

The company owns directly 100% of the issued ordinary share capital of the following companies, both of which are incorporated in Great Britain:

Company	Nature of business
Abbey New Homes Limited)	
)	
Abbey Homesteads Limited)	Dormant companies

Group accounts are not prepared as the company is a wholly owned subsidiary of a company incorporated in Great Britain.

ABBEEY DEVELOPMENTS LIMITED
NOTES TO THE ACCOUNTS - 30 April 2003
11 STOCKS

	2003	2002
	£	£
Building land	43,954,684	34,905,236
Roads	4,233,014	5,322,001
Work in progress - residential housing development including finished new houses unsold	8,194,646	9,963,985
Raw materials	392,984	437,302
	56,775,328	50,628,524

12 DEBTORS

	2003	2002
	£	£
Trade debtors	10,300	10,300
Amounts owed by group undertakings	7,094,252	500,000
VAT recoverable	1,101,746	270,116
Other debtors	29,126	71,697
Prepayments and accrued income	194,434	178,981
	8,429,858	1,031,094

Amounts falling due after more than one year included in debtors above are:

	2003	2002
	£	£
Amount owed by group undertaking	500,000	500,000

13 CREDITORS: Amounts falling due within one year

	2003	2002
	£	£
Trade creditors	6,718,148	7,277,349
Amounts outstanding on land purchased	8,365,702	3,945,500
Corporation tax	2,529,356	2,283,958
Other taxation	109,828	84,790
Accruals and deferred income	3,238,519	3,274,286
Dividend proposed	3,449,000	2,212,500
	24,410,553	19,078,383

ABBEY DEVELOPMENTS LIMITED
NOTES TO THE ACCOUNTS - 30 APRIL 2003

- 14 CREDITORS: Amounts falling due
after more than one year

	2003 £	2002 £
Amounts owed to group undertakings	500,003	1,027,055

- 15 CALLED UP SHARE CAPITAL

	Authorised, allotted and fully paid 2003		2002	
	No.	£	No.	£
Ordinary shares of £1 each	5,000,000	5,000,000	5,000,000	5,000,000

- 16 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share Capital £	Profit and loss account £	Total £
At 1 May 2001	5,000,000	35,985,476	40,985,476
Profit after taxation and dividends	-	6,697,513	6,697,513
At 1 May 2002	5,000,000	42,682,989	47,682,989
Profit after taxation and dividends	-	7,627,195	7,627,195
At 30 April 2003	5,000,000	50,310,184	55,310,184

- 17 PENSION COSTS

During the year ended 30 April 2003, the company participated in a funded group scheme - The Abbey Group Limited Pension and Life Assurance Scheme (the Scheme) - a defined benefit scheme. Pension costs are assessed in accordance with the advice of a professionally qualified actuary. This pension scheme was closed to new entrants on 1 January 2001.

Particulars of the most recent actuarial valuation for the scheme, as at 1 May 2002, are contained in the accounts of Abbey Group Limited.

ABBEY DEVELOPMENTS LIMITED

NOTES TO THE ACCOUNTS - 30 April 2003

17 PENSION COSTS - Continued

Defined Benefit Scheme

The company participates in a group defined benefit pension scheme. It is not possible to identify the company's share of the underlying assets and liabilities which relate to the employees of Abbey Developments Limited. Accordingly, the company treats the scheme as a defined benefit plan in accordance with FRS17 requirements for multi-employer schemes. During the year the company contributed £250,941 (2002 : £137,755) to the scheme. When valued on the basis set out in FRS17, the scheme shows a net balance sheet asset of £1,865,000 before allowance for deferred tax.

Defined Contribution Schemes

The company operates a number of defined contribution schemes for which the company has contributed £9,225 during the year to 30 April 2003 and charged in full to the profit and loss account.

18 RELATED PARTY TRANSACTIONS

Abbey Group Limited is the company's immediate controlling party and Abbey plc is the company's ultimate controlling party.

The company has taken advantage of the exemption, under FRS8, from disclosing transactions with group companies, as it is a wholly owned subsidiary of Abbey plc.

19 PARENT UNDERTAKINGS

The parent undertaking and ultimate holding company of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is Abbey plc, incorporated in the Republic of Ireland and the parent undertaking of the smallest such group is Abbey Group Limited, registered in England and Wales. Copies of Abbey plc's accounts may be obtained from Abbey House, 2 Southgate Road, Potters Bar, Hertfordshire EN6 5DU.