Registered number
958763 (England and Wales)

Luff Developments Limited

Directors' Report and Financial Statements

For the year ended 30 June 2001



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Luff Developments Limited
Directors' Report and Financial Statements
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Luff Developments Limited
Company Information

Directors
P Luff
Mrs J M Luff
G B Newman
D W Ferrar
R R Butterworth
G M Marshalsay

Secretary
D W Ferrar

Auditors
Arram Berlyn Gardner
Holborn Hall
100 Grays Inn Road
London
WC1X 8BY

Bankers
HSBC Bank plc
Business Banking
26 Broad Street
Reading
Berkshire
RG1 2BU

Business Address
The Granary
Ashridgewood Farm
Warren House Road
Wokingham
Berkshire
RG40 5RD

Registered office
Holborn Hall
100 Grays Inn Road
London
WC1X 8BY

Registered number
958763 (England and Wales)

Luff Developments Limited
Directors' Report

The directors present their report and financial statements for the year ended 30 June 2001.

Principal activities and review of the business
The principal activities of the company are property development and trading.

Following the Court of Appeal decision that Luff Developments were holding 50% of the shares in Stowhelm Ltd in trust for Banner Homes, Luff Developments completed a buyout of those shares and Stowhelm became 100% owned by Luff Developments in July 2000.

Results and dividends
The results for the financial year are set out in the profit and loss account on page 4.

Directors
The directors who served during the year and their interests in the share capital of the company were as follows:

		Number of shares	
	Class of Share	**2001**	**2000**
P Luff	Ordinary shares	-	-
Mrs J M Luff	Ordinary shares	-	-
G B Newman	Ordinary shares	-	-
D W Ferrar	Ordinary shares	-	-
R R Butterworth	Ordinary shares	-	-
T H Reynolds	Ordinary shares	-	-
G M Marshalsay	Ordinary shares	-	-

T H Reynolds resigned as a director on 27th February 2001.
G M Marshalsay was appointed a director on 30th April 2001.

The interests of P Luff, J M Luff and D W Ferrar in the ordinary shares of the company's parent undertaking are disclosed in the accounts of that company.

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

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

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors
In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Arram Berlyn Gardner be reappointed as auditors will be put to the members at the Annual General Meeting.

The above report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the board on 12th October 2001.

D W Ferrar
Secretary

Luff Developments Limited

Independent auditors' report to the shareholders of Luff Developments Limited

We have audited the financial statements which comprise pages 4 to 10. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 law and United Kingdom 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.

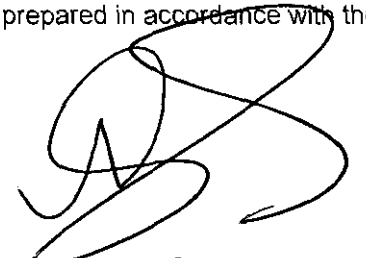
Basis of audit opinion

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arram Berlyn Gardner
Registered auditors

Holborn Hall
100 Grays Inn Road
London
WC1X 8BY

12th October 2001

Luff Developments Limited
Profit and Loss Account
for the year ended 30 June 2001

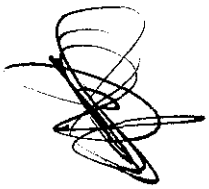
	Notes	2001 £	2000 £
Turnover	2	3,016,602	3,914,478
Cost of sales		(2,743,534)	(3,559,771)
Gross profit		273,068	354,707
Administrative expenses		(516,080)	(1,484,661)
Rental income		185,578	151,164
Operating loss	3	(57,434)	(978,790)
Interest receivable		52,783	220,808
Interest payable	6	(69,417)	(52,126)
Loss on ordinary activities before taxation		(74,068)	(810,108)
Tax on loss on ordinary activities	7	(93,513)	(53,034)
Loss for the financial year		(167,581)	(863,142)
Equity dividend on ordinary shares - interim received	8	1,100,000	-
Retained profit/(loss) for the financial year	16	932,419	(863,142)

Statement of total recognised gains and losses

The company has no recognised gains or losses other than those passing through the profit and loss account.

Luff Developments Limited
Balance Sheet
as at 30 June 2001

	Notes		2001 £		2000 £
Fixed assets					
Investments	9		3,012,850		500,400
Current assets					
Stocks	10	3,482,763		2,064,822	
Debtors	11	2,661,393		6,243,803	
Cash at bank and in hand		69,281		-	
		6,213,437		8,308,625	
Creditors: amounts falling due within one year	12	(200,594)		(715,751)	
Net current assets			6,012,843		7,592,874
Total assets less current liabilities			9,025,693		8,093,274
Creditors: amounts falling due after more than one year	13		(599,000)		(599,000)
			8,426,693		7,494,274
Capital and reserves					
Called up share capital	14		71,000		71,000
Share premium	15		100		100
Profit and loss account	16		8,355,593		7,423,174
Shareholders' funds:					
Equity			8,426,693		7,494,274
	17		8,426,693		7,494,274



P Luff
Director
Approved by the board on 12th October 2001

Luff Developments Limited
Notes to the Financial Statements
for the year ended 30 June 2001

1 Accounting policies

Accounting convention
The financial statements are prepared under the historical cost convention and include the results of the company's operations as indicated in the directors' report, all of which are continuing.

The company has taken advantage of the exemption in Financial Reporting Standard No. 1 from the requirement to produce a cashflow statement on the grounds that it is a wholly owned subsidiary of an EC parent company. The cash flows of the group are dealt with in the consolidated financial statements of that company.

The company has taken advantage of the exemption to prepare group accounts on the grounds that it is a wholly owned subsidiary of an EC parent company.

Stock and work in progress
Trading and development properties are included in stock at the lower of cost and net realisable value.
Cost comprises purchase price, acquisition and development costs but excludes interest, which is written off to the profit and loss account as incurred.
Net realisable value is based on estimated selling price less future costs expected to be incurred to disposal.

Deferred taxation
Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to crystallise.

Pensions
The pension cost charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

Investments
Investments in subsidiaries are stated at cost less provision for permanent diminution in value.

2 Turnover

Turnover comprises invoiced sales excluding value added tax.

The point of sale date for the sale of property is taken to be the date of completion of contracts.

Turnover split:	2001 £	2000 £
Sale of Properties	350,000	50,000
Construction Works	2,666,602	3,864,478
	3,016,602	3,914,478

3 Operating loss

	2001 £	2000 £
This is stated after charging:		
Auditors' remuneration	3,900	16,000
Directors' emoluments	402,416	397,548
Exceptional legal fees relating to litigation with Banner Homes	40,765	896,799

4 Directors' emoluments

	2001 £	2000 £
Emoluments	342,416	337,548
Company contributions to self administered pension schemes	60,000	60,000
	402,416	397,548
Highest paid director:		
Emoluments	175,000	175,000
Company contributions to self administered pension schemes	20,000	20,000
	195,000	195,000

Number of directors in company pension schemes:	2001 Number	2000 Number
Self administered pension schemes	3	3

5 Staff costs

	2001 £	2000 £
Wages and salaries	342,416	336,417
Social security costs	39,969	39,365
Other pension costs	60,000	60,000
	442,385	435,782

Average number of employees during the year	Number	Number
Administration	3	3

6 Interest payable

	2001 £	2000 £
Other Loans	52,644	52,126
Interest on Corporation Tax	16,773	-
	69,417	52,126

7 Taxation

	2001 £	2000 £
Analysis of charge in period		
Current tax:		
Adjustments in respect of previous periods	93,513	53,034
Tax on profit on ordinary activities	93,513	53,034

8 Equity dividends

	2001 £	2000 £
Equity dividends on ordinary shares - interim received	(1,100,000)	-

9 Investments

	Investments in subsidiary undertakings £
Cost	
At 1 July 2000	500,400
Additions	2,512,450
At 30 June 2001	3,012,850

The company holds 20% or more of the share capital of the following companies:

Company	Class of Business	Shares held Class	%
Stowhelm Limited	Property Development	Ordinary	100
Annis Developments Limited	Property Development	Ordinary	100
Eastheath Properties Limited	Dormant	Ordinary	100
Luff Construction Limited (formerly Pielle Properties Limited)	Dormant	Ordinary	100
Luff Homes Limited	Property Development	Ordinary	100

All of the above companies are incorporated in England and Wales.

Eastheath Properties Limited and Luff Construction Limited were both dissolved on 3rd July 2001.

10 Stock and work in progress

	2001 £	2000 £
Work in progress	67,112	59,169
Stock of land and property	3,415,651	2,005,653
	3,482,763	2,064,822

11 Debtors

	2001 £	2000 £
Trade debtors	39,073	9,942
Amounts owed by group undertakings	2,486,183	6,125,751
Amounts owed by related undertakings	130,788	47,822
Other debtors and prepayments	5,349	60,288
	2,661,393	6,243,803

12 Creditors: amounts falling due within one year

	2001 £	2000 £
Bank loans and overdrafts	-	10,711
Trade creditors	112,651	242,362
Amounts owed to group undertakings	29,587	273,183
Corporation tax	934	59,934
Other taxes and social security costs	15,738	28,607
Accruals and deferred income	41,684	100,954
	200,594	715,751

13 Creditors: amounts falling due after one year

	2001 £	2000 £
Other loans repayable between one and two years	599,000	599,000

14 Share capital

	2001 No	2000 No	2001 £	2000 £
Authorised:				
Ordinary shares of £1 each	250,000	250,000	250,000	250,000

	2001 No	2000 No	2001 £	2000 £
Allotted, called up and fully paid:				
Ordinary shares of £1 each	71,000	71,000	71,000	71,000

15 Share premium

	2001 £	2000 £
At 1 July 2000	100	100
At 30 June 2001	100	100

16 Profit and loss account

	2001 £	2000 £
At 1 July 2000	7,423,174	8,286,316
Retained profit/(loss)	932,419	(863,142)
At 30 June 2001	8,355,593	7,423,174

17 Reconciliation of movement in shareholders' funds

	2001 £	2000 £
At 1 July 2000	7,494,274	8,357,416
Loss for the financial year	(167,581)	(863,142)
Dividends	1,100,000	-
At 30 June 2001	8,426,693	7,494,274

18 Pension commitments

The company operates a small self administered pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost represents contributions payable by the company to the fund and amounted to £60,000 (2000 £60,000).

19 Related party transactions

During the year the following supplies were made by companies related by common directors.

Company	2001 £	2000 £	Supply
Wokingham Motors Ltd (517243)	25	141	Vehicle repairs and maintenance

During the year the following sales were made to companies related by common directors.

Company	2001 £	2000 £	Supply
Luff Farms Ltd (1572507)	353,095	262,858	Building works & general labour
Luff Leasing Ltd (3079954)	7,398	23,563	Building works

At the year end date Luff Farms Limited owed Luff Developments Limited the sum of £130,259 (2000 £36,573) and Luff Leasing Limited owed Luff Developments Limited the sum of £529 (2000 £Nil).

The company has taken advantage of the exemption available in Financial Reporting Standard No. 8 with respect to inter group transactions. These transactions are therefore reported in the consolidated financial statements of Luff Group Limited, company number 3289104.

20 Controlling party

The ultimate parent company is Luff Group Limited, a company registered in England.