Annual Report and Financial Statements

YEAR ENDED 30TH JUNE 2002

Langtree Group plc

Broadening the base

Chairman's Report

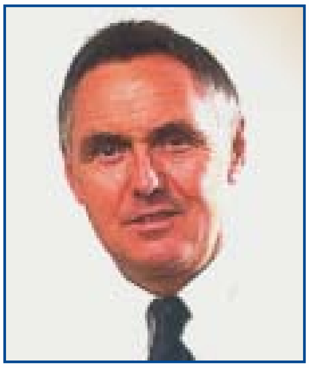
Broadening the base

Langtree's name is now firmly established in the property sector. Over the years the company has grown in size and reputation. Still at the heart of the Group's activity is the successful operation of a large multi-let industrial property portfolio. However Langtree now has an established development operation and by combining the Group's financial strength, portfolio management expertise and development skill it has developed an edge that has enabled it to achieve impressive growth.

Our strategy is to invest in raw property opportunities that require innovation, vision and hard work in exchange for higher returns. It relies on our capacity to view projects over a longer term. The Group's focus is on urban regeneration and it has the appetite, the financial strength and the property expertise to take on large and complex schemes be it directly or in partnership. Whilst we remain strong in the industrial sector our philosophy applies in equal measure across other property sectors. Previous Group investments are now producing a diverse range of development opportunities. The Group is now seeing the success of its strategy of *'broadening the base'* which will continue over the forthcoming years.

Chairman's Report

Review of the Year



This year is a record year for the Group.

Profit before tax was £5.7M. The net asset value of the Group stands at £56M. With the year's additions, the value of our property portfolio now stands at £84M with borrowings representing 27% of the portfolio value. By the year end the rent achieved was 40% up on last year, from £5.53M to £7.75M.

During the year our portfolio has increased by over 1.1 million square feet after allowing for disposals totalling 612,000 square feet, bringing the total lettable space under our management within the Group to 4.4 million square feet. The closing occupancy of the portfolio was 89% which again underlines the significant contribution of the in-house management team. Approximately 30% of the income producing portfolio (by value) has immediate redevelopment potential.

Our development activity continues to make a progressively higher contribution to the business. A particular highlight in the year was the multi-million acquisition and leaseback of a portfolio of sites from Invensys plc, comprising some 1.8 million square feet of property.

The sites contain considerable development potential and redevelopment options are already under consideration. Elsewhere Langtree Developments has schemes underway at High Carr Point in Newcastle-under-Lyme, Lockett Road in Ashton in Makerfield and Lumina at Wirral International Business Park, with more in the pipeline.

We have continued to strengthen our team throughout the year in line with the growth of the business. A significant appointment for the Group is Malcolm Jackson who has taken up the position of Group Finance Director. I am also pleased to report the recruitment of Nick Bird as the Regional Director of our new Midlands office in Tamworth.

I would like to thank my fellow directors and staff for all their efforts during the year. Given our solid financial base, improved portfolio and strengthened management team, I am confident of a further year of sustained growth.

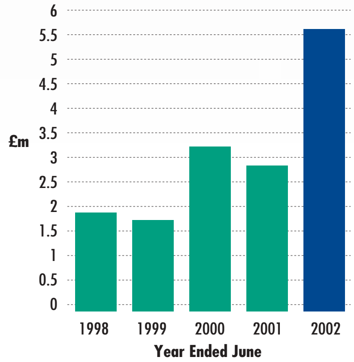
W Ainscough

Chairman

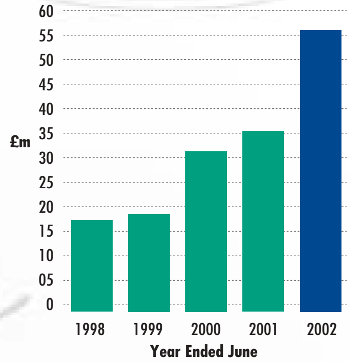
Langtree Group plc

Financial Highlights

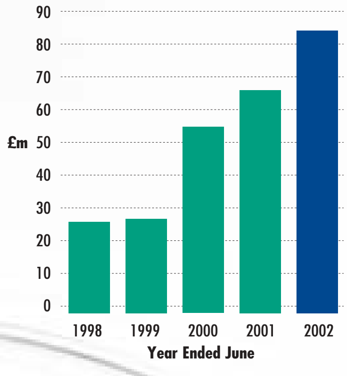
- Profit before tax up 99% to £5.7m



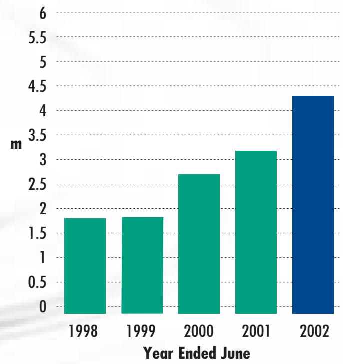
- Net assets up 59% to £56.3m



- Portfolio value up 26% to £83.8m



- Square footage up 35% to 4,350,000 square feet



Board of Directors

The Langtree Group plc Board of Directors now comprises:-

BILL AINSCOUGH (1) has over 30 years house building and property experience. Bill has been a director of a number of public companies and has a variety of commercial interests. He is the Chairman and owner of Langtree Group plc, which he founded in 1982.

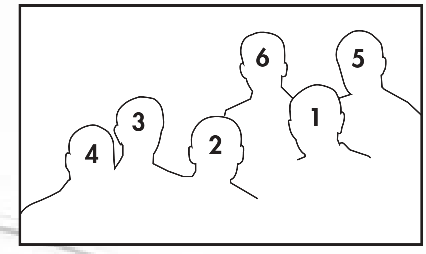
JOHN DOWNES (2) has over 5 years experience at Langtree Group plc including 2 years as Managing Director where he has led the business through a period of significant growth. Before joining Langtree he held a number of senior development positions in both the public and private sectors. He is a Chartered Surveyor and has excellent knowledge of the regeneration industry.

MALCOLM JACKSON (6) has recently joined Langtree Group plc as Group Finance Director. His background includes 6 years at Wainhomes where his roles included Group Company Secretary and Divisional Finance Director. Prior to this Malcolm worked for KPMG in the UK and Australia. He is a Chartered Accountant and Associate Member of Corporate Treasurers.

PHILIP DUCKETT (4) is a Director and the Company Secretary of Langtree Group plc. Philip has over 9 years experience in both financial and administrative roles at Langtree. He is a member of the Chartered Certified Accountants and holds a Bachelor of Science in Economics.

TIM JOHNSTON (3) is a Non-executive Director of Langtree Group plc. He is a partner in AMION Consulting, a specialist firm in Liverpool and Leeds which advises local, regional and national government on regeneration and economic development. Prior to this he was National Head of Infrastructure and Government at KPMG. As well as being an economist with specialist consultancy focus, he is also a Chartered Accountant.

STEPHEN OWEN (5) is a Non-executive Director of Langtree Group plc and the former Chief Executive and Group Finance Director of Wainhomes Ltd. He has considerable experience of the UK property market together with extensive knowledge of the corporate finance sector. He is a Chartered Accountant and Member of the Chartered Institute of Taxation.



Key to photograph

Operational Review

Langtree Properties

Langtree's core property business is still biased to the SME industrial market and we continue to offer space on flexible lease terms. Our in house property teams in the regional offices exclusively manage the Langtree and Network Space portfolios, now totalling over 4.4 million square feet. Combined, the three offices now handle over 10 enquiries per day for new space.

However as we continue to increase and improve our investment base, new developments are introducing diversity in terms of size and type of accommodation such as the Kingsgate office scheme in Stockport.

The liaison between our property and development teams is vitally important. Firstly it ensures that where possible, property revenue is maximised on newly acquired sites whilst redevelopment proposals are worked through to implementation such as on the Invensys portfolio. Secondly it ensures that new developments fit market requirements and thirdly it delivers an intensive marketing capability for new development schemes.

Ongoing improvements to our portfolio continue with the refurbishment of existing industrial estates and more are planned in the coming year as we continue to enhance the quality of our stock. This, combined with active marketing, has delivered a closing occupancy of 90% in the Langtree portfolio up 10% on last year. Whilst we have seen a slight increase in tenant insolvency, demand for space has not shown signs of weakening with enquiries for new and improved space remaining particularly strong.

Finally during the year we have continued to increase the use of Information Technology to assist the property lettings operation with the introduction of an enquiry tracking system that monitors every enquiry received. This data can then be used to fully analyse the lettings performance at every stage and can be used to advise new development activity.

Jeremy Diskin, Yorkshire Regional Director, at Zenith Park, Barnsley

Operational Review

Langtree Developments

This year we have continued to pursue significant development opportunities. A good example of this is the acquisition of the Invensys portfolio. With initial leasebacks to Invensys, the acquired sites all provide immediate return on capital with each site having extremely good redevelopment potential. The portfolio included sites located in Manchester, Market Harborough, Leicester, Birmingham and Newcastle-under-Lyme comprising 1.8 million square feet on 75 acres.

We now have an exciting number of schemes coming through. These include a 3 unit 66,000 square feet speculative industrial scheme at High Carr Point in Newcastle-under-Lyme, Staffordshire; a 75,000 square feet office refurbishment in South Manchester and Lumina, our second development at Wirral International Business Park following the success of Apex Court. Lumina will be a very distinctive scheme and we are confident that it will set new standards in design and flexibility of use. Other schemes planned in the forthcoming year include Agecroft, Salford; Westmoor Park, Doncaster; Openshaw, East Manchester; Vector 31, Rotherham; Hilton Cross, Wolverhampton and Warrington.
In addition planning consent has just been granted on our new freehold 30 acre development in Knowsley, Merseyside, named Alchemy where we hope to be on site by the New Year. Also we are particularly pleased with a joint venture with St. Helens MBC to develop a new high tech office complex, Centrix Court that is aimed specifically at high growth SME's. This high specification office will host the latest in information technology and will offer turnkey IT packages with high speed internet access to all tenants.

We continue to strengthen the development team and have recently recruited senior development staff to the North West and Yorkshire offices. We look forward to the coming year to see the results of our earlier work and to identify new opportunities to continue our growth in development.

Martin Mellor, Technical Director, at Alchemy, Knowsley

Operational Review

Network Space

Network Space was established in October 1999 and launched by the Deputy Prime Minister John Prescott. Network Space is a joint venture between the Government's regeneration agency English Partnerships and ourselves. Its remit is to develop up to 500,000 square feet of quality workspace in the former coalfield regions of England. Typically each scheme is approximately 30,000 square feet.

Development, lettings and management are handled by Langtree Group on behalf of the joint venture.

To date we have completed 8 schemes with a further 2 on site:

- Agecroft, Salford
- High Carr, Newcastle-under-Lyme
- Shireoaks, Worksop
- Moira, Rawdon (completion September 2002)
- Viking, Jarrow
- Glover, Washington (completion November 2002)
- Green Lane, Featherstone
- Zenith, Barnsley
- Kirk Sandall, Doncaster
- Millennium, Mansfield

We have a further 5 schemes in the development planning stage and aim to have the total company objective of 500,000 square feet built or on site by the end of the calendar year.

The year to June 2002 has been a very active year for new lettings at the Networkcentres, as each of the new developments becomes an established business location. The closing occupancy for the year to June 2002 was 62% up from 19% last year and we are confident that the occupancy will continue to grow further. The popularity of the units demonstrates the latent demand for good quality business space that can be made available on flexible terms. We look forward to continuing this year's progress in the year ahead.

David Blellock, North West Regional Director, at Lumina, Wirral

Operational Review

Recognition

Langtree has a team of hard working and very capable individuals which is reflected in the growth of the company. I would like to thank the team for their performance again this year. We also work very closely with a select number of professional consultants and advisors who provide the Group with a very dedicated and professional service and I would also like to thank them on behalf of the directors.

Future Prospects

We continue to work our existing portfolio to the full and with our increasing network and strong financial position, we are now geared up to pursue significant new opportunities with energy and determination across all sectors, as we continue to broaden our base.

J Downes

Group Managing Director

Nick Bird, Midlands Regional Director, at High Carr Point, Newcastle-under-Lyme

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 30 June 2002.

Principal activities

The principal activities of the group continue to be property investment and property development.

In addition the company has extended its activities to include property development for sale.

Business review

A review of the group's performance and prospects is set out in the reports of the Chairman and Directors.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend (2001: Nil).

Directors and directors' interests

The directors who held office were as follows:

W Ainscough	
J Downes	
M Jackson	(appointed 11 March 2002)
P Duckett	
S Owen	
T Johnston	(appointed 1 July 2001)

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company as recorded in the register of directors' share interests:

	Class of share	Interest at beginning of year	Interest at end of year
W Ainscough	Ordinary £1	38,000	38,000

Auditors

Our auditors KPMG have indicated to the directors that their business has transferred to a limited liability partnership, KPMG LLP. Accordingly, a resolution is to be proposed at the annual general meeting for the appointment of KPMG LLP as auditors for the group.

By order of the board

P Duckett

Secretary

21st August 2002

Langtree House
Millfield Lane
Haydock
St Helens
WA11 9UT

Statement of Directors' Responsibilities

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Langtree Group plc

We have audited the financial statements on pages 16 to 33.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 14, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 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 group is not disclosed.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company and the group's affairs as at 30 June 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG

Chartered Accountants

Registered Auditors

8 Princes Parade

Liverpool

L3 1QH

21st August 2002

Group Profit and Loss Account

for the year ended 30 June 2002

	Note	2002 £000	2001 £000
Revenue	2	**10,035**	7,728
Expenses		**(4,590)**	(3,614)
Operating profit		**5,445**	4,114
Profit on sale of fixed assets		**2,483**	573
Profit on ordinary activities before interest		**7,928**	4,687
Interest receivable and similar income		**154**	104
Interest payable and similar charges	6	**(2,388)**	(1,924)
Profit on ordinary activities before taxation	2-5	**5,694**	2,867
Tax on profit on ordinary activities	7	**(1,696)**	(880)
Profit on ordinary activities after taxation		**3,998**	1,987
Minority interests	20	**(52)**	73
Profit retained for the financial year	17	**3,946**	2,060

A statement of movements on reserves is given in note 17.

All revenue and operating profits are derived from continuing operations.

Group Statement of Total Recognised Gains and Losses

for the year ended 30 June 2002

	2002 £000	2001 £000
Profit for the financial year	**3,946**	2,060
Property revaluations	**(597)**	886
Total recognised gains relating to the year	**3,349**	2,946
Prior year adjustment		
- Deferred tax	**-**	(240)
Total gains and losses reported since last Annual Report	**3,349**	2,706

Note of Group Historical Cost Profits and Losses

for the year ended 30 June 2002

	2002 £000	2001 £000
Reported profit on ordinary activities before taxation	**5,694**	2,867
Realisation of property revaluation gains of previous years	**436**	-
Historical cost profit on ordinary activities before taxation	**6,130**	2,867
Historical cost profit for the year retained after taxation and minority interests	**4,382**	2,060

Langtree Group plc

Group Balance Sheet

at 30 June 2002

	Note	2002 £000	2002 £000	2001 £000	2001 £000
Fixed assets					
Intangible assets	8		**2**		2
Tangible assets	9		**82,317**		63,451
			82,319		63,453
Current assets					
Stocks	11	**3,934**		3,573	
Debtors	12	**1,449**		1,088	
Cash at bank and in hand		**4,020**		938	
		9,403		5,599	
Creditors: amounts falling due within one year	13	**(8,109)**		(3,346)	
Net current assets			**1,294**		2,253
Total assets less current liabilities			**83,613**		65,706
Creditors: amounts falling due after more than one year	14		**(26,002)**		(29,109)
Provisions for liabilities and charges	15		**(1,339)**		(1,190)
Net assets			**56,272**		35,407
Capital and reserves					
Called up share capital	16		**15,050**		50
Revaluation reserve	17		**19,592**		20,625
Profit and loss account	17		**15,904**		11,522
Shareholders' funds	19		**50,546**		32,197
Minority interests - equity	20		**(1,774)**		(1,540)
Non-equity minority interest	20		**7,500**		4,750
			56,272		35,407
Analysis of Shareholders' funds					
Equity Shareholders' funds			**35,546**		32,197
Non-equity Shareholders' funds			**15,000**		-
			50,546		32,197

These financial statements were approved by the board of directors on 21st August 2002 and were signed on its behalf by:

W Ainscough

Director

Company Balance Sheet
at 30 June 2002

	Note	**2002**		2001	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	8		**2**		2
Tangible assets	9		**71,456**		57,322
Investments	10		**-**		-
			71,458		57,324
Current assets					
Stock	11	**3,934**		3,484	
Debtors	12	**11,240**		5,824	
Cash at bank and in hand		**687**		183	
		15,861		9,491	
Creditors: amounts falling due within one year	13	**(7,470)**		(2,716)	
Net current assets			**8,391**		6,775
Total assets less current liabilities			**79,849**		64,099
Creditors: amounts falling due after more than one year	14		**(26,002)**		(29,109)
Provisions for liabilities and charges	15		**(1,330)**		(1,190)
Net assets			**52,517**		33,800
Capital and reserves					
Called up share capital	16		**15,050**		50
Revaluation reserve	17		**21,335**		22,070
Profit and loss account	17		**16,132**		11,680
Shareholders' funds	19		**52,517**		33,800

These financial statements were approved by the board of directors on 21st August 2002 and were signed on its behalf by:

W Ainscough
Director

Group Cash Flow Statement

for the year ended 30 June 2002

	Note	2002		2001	
		£000	**£000**	£000	£000
Net cashflow from operating activities	22		**7,562**		4,724
Returns on investments and servicing of finance					
Interest received		**154**		104	
Interest paid		**(1,878)**		(1,924)	
Net cash outflow for returns on investments and servicing of finance			**(1,724)**		(1,820)
Taxation			**(707)**		(809)
Capital expenditure					
Purchase of tangible fixed assets		**(22,727)**		(17,943)	
Sale of tangible fixed assets		**6,573**		724	
Grant income		**70**		3,013	
Net cash outflow from capital expenditure			**(16,084)**		(14,206)
Cash outflow before financing			**(10,953)**		(12,111)
Financing					
Bank debt (repaid)/drawndown in the year		**(3,250)**		7,550	
Issue of non-equity preference shares	16	**14,535**		-	
Issue of non-equity shares		**2,750**		2,750	
Net cash inflow from financing			**14,035**		10,300
Increase/(decrease) in cash in the year	24		**3,082**		(1,811)

Notes

(forming part of the financial statements)

1. Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of investment properties.

Basis of consolidation

The consolidated accounts of the group comprise the financial statements of Langtree Group plc and all its subsidiary undertakings. As permitted by the Companies Act 1985 a separate company profit and loss account is not presented.

Fixed assets and depreciation

In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, and no depreciation or amortisation is provided in respect of freehold investment properties. This treatment may be a departure from the requirements of the Companies Act regarding depreciation of fixed assets but the directors consider that this accounting policy is necessary for the accounts to give a true and fair view, as the properties are held for investment not consumption. Depreciation or amortisation is only one of the factors reflected in the annual valuations, and the amount which might otherwise have been shown cannot be separately identified or quantified. The properties are valued at the directors' estimate of open market values.

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets other than investment properties, over their estimated useful economic lives as follows:

Freehold buildings	-	2% straight line
Short leasehold land and buildings	-	life of lease
Plant and machinery, fixture & fittings etc	-	4%–25% straight line

Deferred taxation

Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

Stock

Stock is stated at the lower of cost and net realisable value.

1. Accounting policies (continued)

Grant Income

Grant income is shown as a deduction against the cost of investment properties. This accounting treatment is not in accordance with Schedule 4 to the Companies Act 1985, under which the investment properties should be stated at their purchase price or production cost and the grant income treated as deferred income and released to the profit and loss account over the useful life of the corresponding assets. The directors are of the opinion that these assets have no finite economic lives and the grant income would therefore remain in the balance sheet in perpetuity. The treatment otherwise required by the Companies Act 1985 would not present a true and fair view of the group's effective investment in investment properties.

Pensions

The group contributes towards defined contribution schemes for some staff members. The assets of the schemes are held separately from those of the group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

2. Revenue

Revenue represents the rental income receivable in the year, amounts (excluding value added tax) derived from the provision of site services to customers during the year and proceeds from the sale of trading developments.

3. Profit on ordinary activities before taxation

	2002 £000	2001 £000
Profit on ordinary activities before taxation is stated after (crediting)/charging:		
Profit on sale of fixed assets	**(2,483)**	(572)
Auditors' remuneration		
- group	**22**	20
- company	**16**	15
Non-audit fees	**34**	17
Depreciation and other amounts written off tangible fixed assets	**229**	146
Hire of other assets – operating lease	**100**	100

Notes (continued)

4. Remuneration of directors

	2002	2001
	£000	£000
Directors' emoluments	182	231
Amounts paid under long term incentive schemes	57	50
Directors' fees	43	34
Pension costs	7	6
	289	321

The aggregate of emoluments of the highest paid director was £94,135 *(2001: £94,714)*. Retirement benefits are accruing to 2 directors *(2001:2)* under money purchase pension schemes.

5. Staff numbers and costs

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

	Number of employees	
	2002	2001
Administration	22	19
Management	7	6
	29	25

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£000	£000
Wages and salaries	915	887
Social security costs	74	79
Pension costs	27	16
	1,016	982

6. Interest payable and similar charges

	2002	2001
	£000	£000
On bank loans and overdrafts	2,388	1,924

7. Taxation

a) Analysis of tax charge in the period

	2002	2001
	£000	£000
Current year corporation tax	**1,718**	630
Corporation tax – adjustments in respect of prior periods	**(171)**	(160)
	1,547	470
Deferred tax – current year charge	**149**	410
	1,696	880

b) Factors affecting the tax charge for the current period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

	2002	2001
	£000	£000
Profit on ordinary activities before taxation	**5,694**	2,867
Tax at 30% (2001: 30%)	**1,708**	860
Corporation tax – adjustments in respect of prior periods	**(171)**	(160)
Permanent differences	**159**	180
Capital allowances for period in excess of depreciation	**(189)**	(450)
Other timing differences	**40**	40
	1,547	470

c) Factors that may affect future tax charges

Based on current capital investment plans, the group expects to continue to be able to claim capital allowances in excess of depreciation in future years.

8. Intangible fixed assets

Group and Company	**Ground rents**
	£000
Cost and net book value	
At beginning and end of year	**2**

9. Tangible fixed assets

Group	**Freehold land & buildings**	**Short leasehold land & buildings**	**Investment properties**	**Plant & machinery fixtures**	**Total**
Cost or valuation	**£000**	**£000**	**£000**	**£000**	**£000**
At beginning of year	102	60	63,028	860	64,050
Additions	8	-	21,831	2,299	24,138
Revaluation	-	-	(883)	-	(883)
Grants and contributions	-	-	(70)	-	(70)
Disposals	-	-	(4,067)	(64)	(4,131)
At end of year	**110**	**60**	**79,839**	**3,095**	**83,104**
Depreciation and diminution in value					
At beginning of year	10	11	-	578	599
Charge for year	3	1	-	225	229
On disposals	-	-	-	(41)	(41)
At end of year	**13**	**12**	**-**	**762**	**787**
Net book value					
At 30 June 2002	**97**	**48**	**79,839**	**2,333**	**82,317**
At 30 June 2001	92	49	63,028	282	63,451

The historical cost of revalued investment properties as at 30 June 2002 was £60,247,000 *(2001:£42,403,000)*.

9. Tangible fixed assets (continued)

Company	**Freehold land & buildings**	**Short leasehold land & buildings**	**Investment properties**	**Plant & machinery fixtures**	**Total**
Cost or valuation	**£000**	**£000**	**£000**	**£000**	**£000**
At beginning of year	102	60	56,899	860	57,921
Additions	8	-	18,418	261	18,687
Revaluation	-	-	(299)	-	(299)
Grants and contributions	-	-	(17)	-	(17)
Disposals	-	-	(4,067)	(64)	(4,131)
At end of year	**110**	**60**	**70,934**	**1,057**	**72,161**
Depreciation and diminution in value					
At beginning of year	10	11	-	578	599
Charge for year	2	1	-	144	147
On disposals	-	-	-	(41)	(41)
At end of year	**12**	**12**	**-**	**681**	**705**
Net book value					
At 30 June 2002	**98**	**48**	**70,934**	**376**	**71,456**
At 30 June 2001	92	49	56,899	282	57,322

Notes (continued)

10. Investments

Company	**Shares in group undertakings**
	£000
Cost and net book value	
At beginning of year	-
Additions	-
At end of year	**-**

Investments in subsidiary undertakings comprise the following:

	Country of registration	**Principal activity**	**Class and percentage of shares held**
Lydiate Developments Limited	England and Wales	Dormant	Ordinary 100%
Tower Beach Developments Limited	England and Wales	Property Development	Ordinary 50%
Langtree Managed Services Limited	England and Wales	Managed Services	Ordinary 100%
Langtree Properties Limited	England and Wales	Dormant	Ordinary 100%
TBI Direct Limited	England and Wales	Dormant	Ordinary 100%
Langtree Developments Limited	England and Wales	Dormant	Ordinary 100%
Network Space Limited	England and Wales	Property Investment	Ordinary 51%

Network Space Limited was incorporated on 15 January 1999. The company has been treated as a subsidiary undertaking for consolidation purposes as Langtree Group Plc hold a majority of the company's equity share capital.

Tower Beach Developments Limited has been treated as a subsidiary undertaking for consolidation purposes as Langtree Group Limited holds a participating interest and exercises dominant influence over its operations. This dominant influence is achieved by Langtree Group Plc through managerial and day to day control over the company's affairs by its directors and officers.

11. Stocks

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Land held for development	**3,934**	3,573	**3,934**	3,484

12. Debtors

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Trade debtors	**1,060**	611	**1,044**	606
Amounts owed by group undertakings	**-**	-	**10,015**	4,860
Other debtors	**220**	254	**12**	135
Prepayments and accrued income	**169**	223	**169**	223
	1,449	1,088	**11,240**	5,824

Included within Amounts owed by group undertakings is £7,500,000 (2001: £4,750,000) in the form of loan stock which is due from Network Space Limited to the company after more than one year.

13. Creditors: amounts falling due within one year

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Trade creditors	**501**	77	**479**	75
Amounts due to group undertakings	**-**	-	**89**	-
Corporation tax	**1,088**	249	**1,088**	249
Other taxes and social security	**376**	180	**376**	180
Other creditors	**2,577**	122	**2,500**	-
Accruals and deferred income	**1,974**	1,544	**1,345**	1,039
Rents in advance	**1,593**	1,174	**1,593**	1,173
	8,109	3,346	**7,470**	2,716

14. Creditors: amounts falling due after more than one year

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Bank loans and overdraft	**25,500**	28,750	**25,500**	28,750
Other creditors	**502**	359	**502**	359
	26,002	29,109	**26,002**	29,109

The bank loans and overdrafts are secured by fixed and floating charges on certain investment properties of the group. The company has one interest rate swap of £2m fixed at 7.57% until 29.1.2003.

Analysis

	Group and Company	
	2002	2001
	£000	£000
Under one year	**-**	-
Between one and two years	**-**	-
Between two and five years	**26,002**	29,109
After five years	**-**	-
	26,002	29,109

15. Provisions for liabilities and charges

	Deferred taxation	
	Group	**Company**
	£000	**£000**
At beginning of year	1,190	1,190
Charge during year	149	140
At end of year	**1,339**	**1,330**

The amounts provided for deferred taxation are set out below:

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Express of tax allowances over				
Depreciation of tangible fixed assets	**1,479**	1,290	**1,470**	1,290
Other timing differences	**(140)**	(100)	**(140)**	(100)
	1,339	1,190	**1,330**	1,190

In addition to the above, the group have revalued their freehold land and buildings by £19,592,254. The maximum potential liability, ignoring indexation allowances that could arise if these assets were sold at this amount, would be £5,900,000.

16. Called up share capital

	2002	2001
Equity shares	**£000**	£000
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each	**50**	50

	2002	2001
Non-equity shares	**£000**	£000
Authorised, allotted, called up and fully paid		
Redeemable Preference Shares	**15,000**	-

On 26 April 2002 William Ainscough subscribed for 15,000,000 redeemable preference shares of £1 each. The subscription took the form of capitalisation of a loan of £14,964,972 (£14,500,000 of principal plus £464,972 of accrued unpaid interest) owed by Langtree to William Ainscough. William Ainscough subscribed in cash at par for a further 35,028 preference shares.

The Preference shares carry a cumulative dividend at the rate of 6.5% per annum, payable quarterly on 31 January, 30 April, 31 July and 31 October. The Preference shares will be redeemed at par annually at rate of 1,500,000 per annum on 30 April, unless the holder requests otherwise.

The holders of the Preference shares are entitled to receive notice of and to attend and speak at any general meeting of the company but has no right to vote there unless the Preference dividend has not been duly paid or the company has failed to duly redeem any of the Preference shares.

On the winding up of the company, the holders of the Preference shares have a right, in priority to the holders of the Ordinary shares, to receive all unpaid arrears and accruals of the Preference dividend and an amount equal to £1 per Preference share. Save for such rights, the holders of the Preference shares have no rights to participate in the assets of the company on its winding up and the surplus assets of the company shall be distributed among the holders of the Ordinary shares.

17. Reserves

	Investment property Revaluation reserve	Profit and loss account	Total
Group	£000	£000	£000
At beginning of year	20,625	11,522	32,147
Property revaluations	(597)	-	(597)
Transfer	(436)	436	-
Profit and loss account for the year	-	3,946	3,946
At end of year	**19,592**	**15,904**	**35,496**
Company			
At beginning of year	22,070	11,680	33,750
Property revaluations	(299)	-	(299)
Transfer	(436)	436	-
Profit and loss account for the year	-	4,016	4,016
At end of year	**21,335**	**16,132**	**37,467**

18. Commitments

Annual commitments under non-cancellable operating leases are as follows:

	Group and Company Land and buildings	
	2002	2001
Operating leases which expire:	**£000**	£000
Over five years	**100**	100

19. Reconciliation of movement in shareholders' funds

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Preference shares subscribed in year	**15,000**	-	**15,000**	-
Profit for the financial year	**3,946**	2,060	**4,016**	2,136
Other recognised gains and losses during the year (net)	**(597)**	886	**(299)**	2,439
Net addition to shareholders' funds	**18,349**	2,946	**18,717**	4,575
Opening shareholders' funds	**32,197**	29,251	**33,800**	29,225
Closing shareholders' funds	**50,546**	32,197	**52,517**	33,800

20. Minority interests

Group	**2002**
	£000
Equity	
At beginning of year	(1,540)
Share of profit	52
Reduction in revaluation reserve	(286)
At end of year	**(1,774)**
Non-equity	
At beginning of year	4,750
Movement in year	2,750
At end of year	**7,500**

21. Related party transactions

During the year the company incurred recharged lease expenses of £100,000 from Northern Venture Pension Scheme, a pension scheme for the benefit of Mr W Ainscough.

Notes (continued)

22. Reconciliation of operating profit to operating cashflow

	2002 £000	2001 £000
Operating profit after profit on sale of fixed assets	**7,928**	4,687
Depreciation	**229**	146
Profit on disposal of fixed assets	**(2,483)**	(572)
(Increase)/decrease in debtors	**(361)**	305
Increase in creditors	**2,610**	28
(Increase)/decrease in stock	**(361)**	130
Net cash inflow from operating activities	**7,562**	4,724

23. Analysis of net debt

	At 30 June 2001 £000	Cashflow £000	At 30 June 2002 £000
Cash in hand	938	3,082	**4,020**
Bank debt	(28,750)	3,250	**(25,500)**
Total	(27,812)	**6,332**	**(21,480)**

24. Reconciliation of net cash flow to movement in net debt

	2002 £000	2001 £000
Increase/(decrease) in cash in the period	**3,082**	(1,811)
Bank debt repaid/(drawndown) in the year	**3,250**	(7,550)
Change in net debt resulting from cash flows before financing	**6,332**	(9,361)
Net debt at the start of the year	**(27,812)**	(18,451)
Net debt at the end of the year	**(21,480)**	(27,812)

Notes

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Notes

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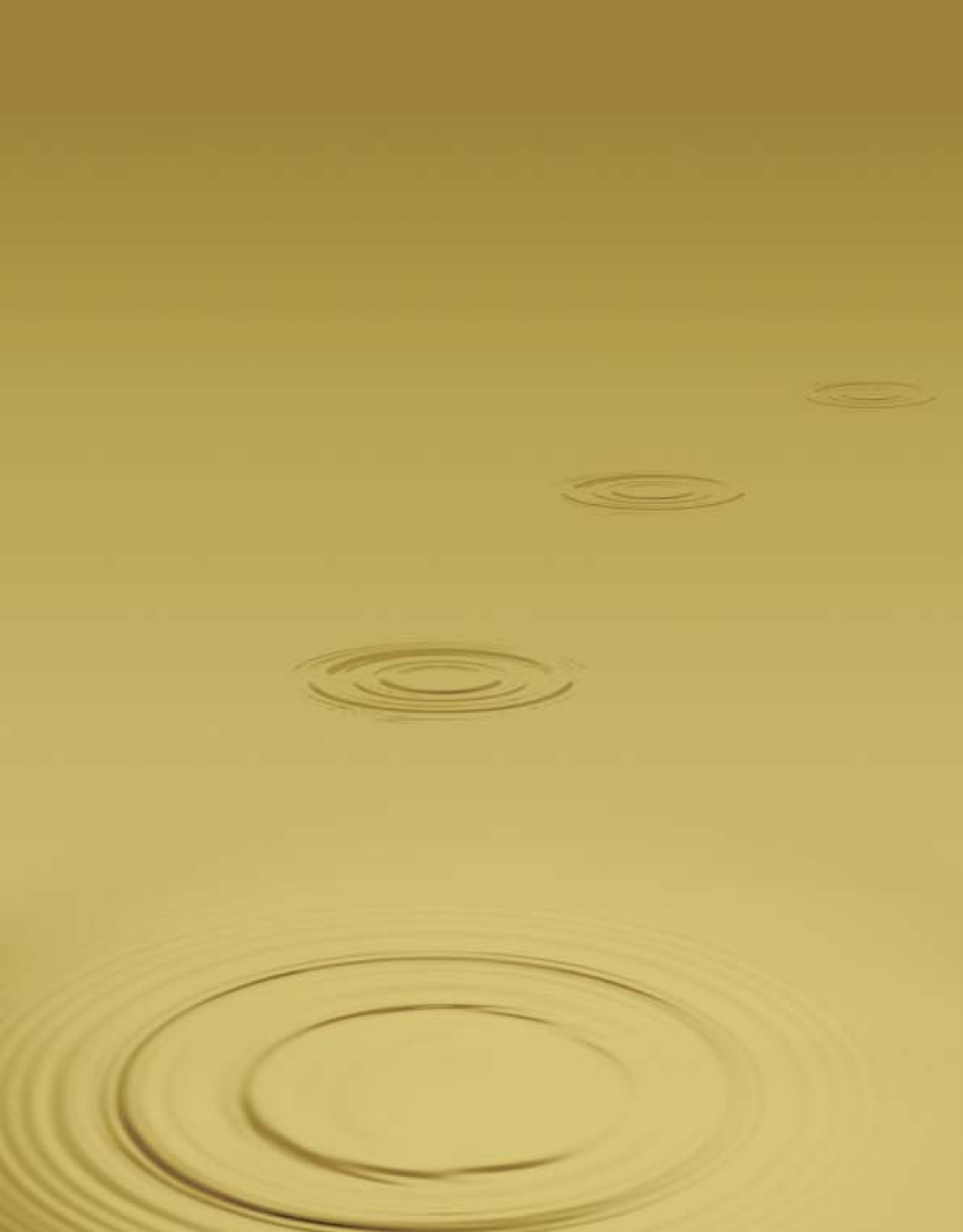

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