chairman's report

Langtree Group is now a national property business with activities spread across the UK, managed from its 3 regional offices and is acknowledged for its technical and financial resources that allow the business to take on large and complex opportunities.

The Group is now recognised as a specialist in urban renewal and its solid reputation is built on its track record of consistently delivering results. Our in-house property management expertise and development skill can be brought together to swiftly evaluate any new property opportunity. The Group's financial strength allows us to act quickly with the flexibility to invest in long term development opportunities, often creating short-term income whilst redevelopment is progressed.

Langtree has invested significantly in its three regional offices to ensure consistently high performance whilst extending its geographical reach. This investment has allowed us to create significant new opportunities in areas such as the East and West Midlands, the Northeast, as well as our original bases of the Northwest and Yorkshire.

The Group's investment property portfolio now approaches £100 million and with active asset management we continue to improve the quality and diversity of the portfolio and our growing development activity now includes retail, city centre offices and residential schemes in addition to our continued industrial development programme.

record year for the group

review of the year

I am pleased to report another record year for the Group.

Profit before tax rose to £6.6m and the net asset value of the Group has grown to £62.6m.

As we continue to improve the quality of our investments we have undertaken a number of acquisitions and disposals during the year, increasing the value of our property portfolio to £97.6m with a reduction in the floorspace under management from 4.1 to 3.4 million square feet.

Significant additions in the year include High Carr Point in Newcastle Under Lyme let to Johnson Matthey plc and Lumina Business Park on the Wirral, with disposals including the sale of our Skelmersdale workspace portfolio. Average occupancy for the Group has been maintained at 90%.

Also approximately 30% of the income-producing portfolio (by value) continues to have immediate redevelopment potential.

Our development activity continues to grow and this year has been a very active year in the creation of new opportunities such as our selection by Liverpool Land and Development Company to develop two strategic sites being, Venture Point in Speke and Wellington Employment Park close to the City Centre. Also we have made our first entry into the Manchester city office market with our purchase of Amethyst House in the heart of the city's prime core.

Development transactions in the year include the sale of the former Ackworth Industrial Estate in Wakefield to be redeveloped as a high value housing scheme; the forward sale of unit 3 in our new development at West Moor Park in Doncaster and the sale of our new development at Lockett Business Park, let in the year to Sutcliffe Speakman Plc.

A particular success this year has been the development of Network Space Ltd, our joint venture with English Partnerships. During the year we have brought on 3 new schemes totalling 91,000 square feet, of new workspace. Despite this new space the closing occupancy for the company was an impressive 82% compared with 62% at the start of the year.

Again, the strength underlying Langtree's financial performance is a sound investment strategy and its ability to effectively manage its investment portfolio.

‘As we continue to improve the quality of our investment portfolio we have undertaken a number of acquisitions and disposals during the year…’

the board of directors

bill ainscough
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 Chairman and owner of Langtree, which he founded in 1982.

john downes
has over 6 years experience at Langtree including 3 years as MD where he has led the business through a period of significant growth. He is a Chartered Surveyor and has excellent knowledge of the regeneration industry.

malcolm jackson
is Langtree's Group Finance Director. His background includes 6 years at Wainhomes as well as working for KPMG in the UK and Australia. He is a Chartered Accountant and Associate Member of Corporate Treasurers.

philip duckett

is a Director and Company Secretary of Langtree. Philip has over 9 years experience in both financial and administrative roles with the company. He is a Chartered Certified Accountant.

tim johnston

is a Non-executive Director of Langtree and a partner in AMION Consulting, a specialist firm which advises on regeneration and economic development. As well as being an economist, he is also a Chartered Accountant.

stephen owen

is a Non-executive Director of Langtree with experience of the UK property market and extensive knowledge of the corporate finance sector. He is a Chartered Accountant and Member of the Chartered Institute of Taxation.

review

langtree properties

The focus of Langtree Properties is to improve the quality and diversity of the investment stock. A consistent review of financial performance and the potential for growth ensures that maximum value is derived and allows consideration to be given to disposing of mature assets.

The quality of the Group's investment portfolio continues to improve significantly through selective disposals, the improvement of existing stock and new additions such as our latest development, Equinox, at Agecroft Commerce Park, and the newly refurbished Kingsgate office scheme in Stockport. Whilst the SME market is still the main stay of the Group, this year we have let space to 3 major plc's totalling over 500,000 square feet.

Langtree's in-house property teams, now fully under the management of our 3 Regional Directors, exclusively handle the management of both the Langtree and Network Space property portfolios. Lettings, management, legal and financial functions are all handled within the regional teams.

In total the Group now handles close to 2,000 enquiries per year for new space. To maximise efficiency, Langtree has now fully developed a unique IT based data monitoring system to track all property enquires received by the Group with each of the 3 regional offices linked via a network. Information can then be interrogated by staff to check performance at every stage of the property process, from initial marketing campaigns to legal completions.

Also this year we have invested further in Langtree Watch, the Group's CCTV monitoring service. Nationally, Langtree and Network Space schemes are monitored around the clock from the Group's own monitoring station in the Northwest and the service continues to be very popular with existing and prospective tenants.

reputation in regeneration

langtree developments

Langtree Developments now has a significant workbook and our ability to perform has certainly been recognised by the market over the last 12 months.

The year has seen scheme completions of 60,000 sq. ft. at Equinox, Salford, 65,000 sq. ft. at High Carr Point, Staffordshire, 75,000 sq. ft. at Lumina, Merseyside and 28,000 sq. ft. at Lockett, Wigan. Work is also almost complete on a 1st phase of 90,000 sq. ft. at Quadrant, our latest development in Yorkshire.

The Group's philosophy of acquiring assets from which short term income can be derived whilst redevelopment consents are secured has produced several successes this year. The former Ackworth Industrial Estate in Wakefield comprising 25 acres of former industrial land was sold to a national housebuilder after Langtree successfully sought permission for its change of use. Micklefield, a former employment site on the outskirts of Leeds was also sold to a volume housebuilder, again after Langtree obtained consent for the change of use of the derelict site.

The Group will continue to seek out opportunities where the combined skills of the Properties and Development staff can be drawn on to enable the purchase of large and often difficult sites where over the short term, income can be secured whilst the optimum redevelopment solution is determined.

As a direct result of our long association with the redevelopment of brownfield sites and our commitment to the provision of speculative new employment space, Langtree has developed an enviable reputation as a partner in urban regeneration and is now working on a number of major regeneration schemes with key delivery agencies including English Partnerships, New East Manchester, Advantage West Midlands and Liverpool Land and Development Company.

This year will see a step change in the level of development activity with schemes to be brought forward including:

- Openshaw, New East Manchester
- Vector 31 Manufacturing and Distribution Park, Rotherham
- Kingsgate, Stockport
- Venture Point, Liverpool
- Centrix Court Business Centre, St.Helens
- Blackheath Industry Park, Birmingham
- Gateway 49 Trade and Employment Park, Warrington
- High Carr Phase II, Newcastle under Lyme
- Sherdley Phase II, St.Helens
- Amethyst House, Manchester

We look forward to an exciting year ahead and to increasing our development activities in existing and new areas of operation.

‘Langtree has developed an enviable reputation as a partner in urban regeneration…’

'In total some 236 workspace units have or are about to be created by Network Space...'

joint ventures

network space

Network Space was established in October 1999 and launched by the Deputy Prime Minister. Network Space is a joint venture between English Partnerships and ourselves and its remit is to deliver 500,000 sq. ft. of quality floorspace in the former coalfield regions of England.

A typical scheme is 30,000 sq. ft. comprising 15-20 workspace units in sizes ranging from 750-3,000 sq. ft.

The map shows the coverage of the Network Space schemes.

In total some 236 workspace units have or are about to be created by Network Space and the company now has 110 tenants. The year to June 2003 saw the occupancy increase from 62% to 82% (including the additional space brought on in the year) with the rent roll increasing from £481,000 to £1,042,000 and a profit before tax of over £0.5m.

Network Space is now a well established business offering a quality product not readily available in the market and is proving to be well matched to the new SME agenda.

recognition

recognition

The Group continually analyses its management performance and staffing requirements. In sustaining successive years of growth over the last 5 years we have doubled the number of company employees, which now totals 37 including recruitments since the year end. This year recognising our increased presence in both Yorkshire and the Midlands we have made investments to strengthen both offices in terms of personnel and facilities, including the acquisition of our new regional office in Tamworth.

Langtree has a very committed and energetic team and each member makes a valuable contribution to the business with their dedication and hard work. I would like to thank them and my fellow Directors for an excellent performance this year. Finally, I would also like to thank a select number of professional advisors with whom we work closely, and who give the business a very committed service.

future prospects

The Group is operating well within current facilities with our borrowings representing 26% of the portfolio value. The Group has the headroom to continue to grow the business and in the coming year we will see record levels of investment in new development as we continue to seek to improve investment quality and investment value.

Finally, we continue to pursue significant new opportunities across a broad range, characterised only by their latent value that can be unlocked using the best resources of the business.

William Ainscough
Chairman

directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2003.

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
Preference dividend of £975,000 (2002: nil) was paid during the year.

Directors and directors' interests
The directors who held office were as follows:

W Ainscough
J Downes
M Jackson
P Duckett
S Owen
T Johnston

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

By order of the board

M. Jack /.

M W Jackson
Director
28 August 2003

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.

report of the independent auditor to the members of Langtree Group plc

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

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 auditor's 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
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 2003 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 LLP
Chartered Accountants
Registered Auditor
26 September 2003

KPMG

8 Princes Parade
Liverpool
L3 1QH

group profit and loss account for the year ended 30 June 2003

	Note	**2003**	2002
		£000	£000
Revenue	2	**15,162**	10,035
Expenses		**(9,154)**	(4,590)
Operating profit		**6,008**	5,445
Profit on sale of fixed assets		**2,049**	2,483
Profit on ordinary activities before interest		**8,057**	7,928
Interest receivable and similar income		**151**	154
Interest payable and similar charges	6	**(1,603)**	(2,388)
Profit on ordinary activities before taxation	2-5	**6,605**	5,694
Tax on profit on ordinary activities	7	**(2,184)**	(1,696)
Profit on ordinary activities after taxation		**4,421**	3,998
Minority interests	21	**(209)**	(52)
Profit available to shareholders	20	**4,212**	3,946
Dividends on non-equity shares	17	**(975)**	-
Profit retained for the financial year		**3,237**	3,946

A statement of movements on reserves is given in note 18.

All revenue and operating profits are derived from continuing operations.

group statement of total recognised gains and losses for the year ended 30 June 2003

	2003 £000	2002 £000
Profit for the financial year	**3,237**	3,946
Property revaluations	**4,251**	(597)
Total recognised gains relating to the year	**7,488**	3,349

note of group historical cost profits and losses for the year ended 30 June 2003

	2003 £000	2002 £000
Reported profit on ordinary activities before taxation	**6,605**	5,694
Realisation of property revaluation gains of previous years	**1,552**	436
Historical cost profit on ordinary activities before taxation	**8,157**	6,130
Historical cost profit for the year retained after taxation, minority interests and dividends	**4,789**	4,382

group balance sheet at 30 June 2003

	Note	2003 £000	2003 £000	2002 £000	2002 £000
Fixed assets					
Intangible assets	8		**2**		2
Tangible assets	9		**94,880**		82,317
			94,882		82,319
Current assets					
Stocks	11	**3,334**		3,934	
Debtors	12	**1,562**		1,817	
Cash at bank and in hand		**1,360**		4,020	
		6,256		9,771	
Creditors: amounts falling due within one year	13	**(12,967)**		(8,477)	
Net current (liabilities) / assets			**(6,711)**		1,294
Total assets less current liabilities			**88,171**		83,613
Creditors: amounts falling due after more than one year	14		**(24,053)**		(26,002)
Provisions for liabilities and charges	15		**(1,540)**		(1,339)
Net assets			**62,578**		56,272
Capital and reserves					
Called up share capital	16		**13,550**		15,050
Capital redemption reserve	18		**1,500**		-
Revaluation reserve	18		**22,291**		19,592
Profit and loss account	18		**19,193**		15,904
Shareholders' funds	20		**56,534**		50,546
Minority interests – equity	21		**(1,456)**		(1,774)
Non-equity minority interest	21		**7,500**		7,500
Total capital and reserves			**62,578**		56,272
Analysis of Shareholders' funds					
Equity Shareholders' funds			**43,034**		35,546
Non-equity Shareholders' funds			**13,500**		15,000
			56,534		50,546

These financial statements were approved by the board of directors on 28 August 2003 and were signed on its behalf by:

W Ainscough
Director

company balance sheet at 30 June 2003

	Note	2003 £000	2003 £000	2002 £000	2002 £000
Fixed assets					
Intangible assets	8		**2**		2
Tangible assets	9		**76,147**		71,456
Investments	10		**-**		-
			76,149		71,458
Current assets					
Stocks	11	**3,334**		3,934	
Debtors	12	**15,616**		11,546	
Cash at bank and in hand		**1**		687	
		18,951		16,167	
Creditors: amounts falling due within one year	13	**(10,985)**		(7,776)	
Net current assets			**7,966**		8,391
Total assets less current liabilities			**84,115**		79,849
Creditors: amounts falling due after more than one year	14		**(24,053)**		(26,002)
Provisions for liabilities and charges	15		**(1,420)**		(1,330)
Net assets			**58,642**		52,517
Capital and reserves					
Called up share capital	16		**13,550**		15,050
Capital redemption reserve	18		**1,500**		-
Revaluation reserve	18		**23,920**		21,335
Profit and loss account	18		**19,672**		16,132
Shareholders' funds	20		**58,642**		52,517

These financial statements were approved by the board of directors on 28 August 2003 and were signed on its behalf by:

W Ainscough
Director

group cash flow statement
for the year ended 30 June 2003

	Note	2003 £000	2003 £000	2002 £000	2002 £000
Net cash inflow from operating activities	24		**10,447**		7,562
Returns on investments and servicing of finance					
Interest received		**151**		154	
Interest paid		**(1,603)**		(1,878)	
Preference dividend paid	17	**(975)**		-	
Issue costs on debt		**(157)**		-	
Net cash outflow for returns on investments and servicing of finance			**(2,584)**		(1,724)
Taxation			**(1,857)**		(707)
Capital expenditure					
Purchase of tangible fixed assets		**(28,067)**		(22,727)	
Sale of tangible fixed assets		**19,265**		6,573	
Grant income		**2,405**		70	
Net cash outflow from capital expenditure			**(6,397)**		(16,084)
Cash outflow before financing			**(391)**		(10,953)
Financing					
Bank debt repaid in the year		**(1,500)**		(3,250)	
Issue of non-equity preference shares		**-**		14,535	
Issues of non-equity shares		**-**		2,750	
Redemption of preference shares	16	**(1,500)**		-	
Net cash (outflow) / inflow from financing			**(3,000)**		14,035
(Decrease) / increase in cash in the year	26		**(3,391)**		3,082

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 Section 230 (4) of 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 group 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, fixtures & fittings etc	–	4 - 25% straight line

No depreciation is provided on freehold land.

Stocks

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

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19.

notes (continued)

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 a defined contribution scheme for some staff members. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme 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

	2003 £000	2002 £000
Profit on ordinary activities before taxation is stated after (crediting) / charging:		
Profit on sale of fixed assets	**(2,049)**	(2,483)
Auditors' remuneration		
– group	**25**	22
– company	**19**	16
Non-audit fees	**24**	34
Depreciation and other amounts written off tangible fixed assets	**243**	229
Hire of other assets – operating lease	**100**	100

4 Remuneration of directors

	2003 £000	2002 £000
Directors' emoluments	**270**	182
Amounts paid under long term incentive schemes	**82**	57
Directors' fees	**40**	43
Pension costs	**15**	7
	407	289

The aggregate of emoluments of the highest paid director was £109,017 (2002: £94,135) and pension contributions of £7,125 (2002: £4,150) were made to a money purchase pension scheme on his behalf. Retirement benefits are accruing to 3 directors (2002: 2) under money purchase pension schemes.

notes (continued)

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	
	2003	2002
Administration	**27**	22
Management	**8**	7
	35	29

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£000	£000
Wages and salaries	**1,004**	915
Social security costs	**94**	74
Pension costs	**42**	27
	1,140	1,016

6 Interest payable and similar charges

	2003	2002
	£000	£000
On bank loans and overdrafts	**1,603**	2,388

notes (continued)

7 Taxation

a) Analysis of tax charge in the year

	2003 £000	2002 £000
UK corporation tax		
Current year corporation tax	**2,031**	1,718
Corporation tax – adjustments in respect of prior periods	**(48)**	(171)
	1,983	1,547
Deferred tax – current year charge (see note 15)	**201**	149
	2,184	1,696

b) Factors affecting the tax charge for the current period

The tax assessed for the year is higher (2002: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2003 £000	2002 £000
Current tax reconciliation		
Profit on ordinary activities before taxation	**6,605**	5,694
Tax at 30% (2002: 30%)	**1,982**	1,708
Corporation tax – adjustments in respect of prior periods	**(48)**	(171)
Permanent differences	**291**	159
Capital allowances for period in excess of depreciation	**(467)**	(189)
Other timing differences	**225**	40
	1,983	1,547

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.

notes (continued)

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 £000	Short leasehold land & buildings £000	Investment properties £000	Plant & machinery fixtures & fittings £000	Total £000
Cost or valuation					
At beginning of year	110	60	79,839	3,095	83,104
Additions	155	-	27,704	208	28,067
Revaluation	-	-	4,360	-	4,360
Grants and contributions	-	-	(2,405)	-	(2,405)
Disposals	-	-	(15,258)	(2,258)	(17,516)
At end of year	**265**	**60**	**94,240**	**1,045**	**95,610**
Depreciation and diminution in value					
At beginning of year	13	12	-	762	787
Charge for year	5	1	-	237	243
On disposals	-	-	-	(300)	(300)
At end of year	**18**	**13**	**-**	**699**	**730**
Net book value					
At 30 June 2003	**247**	**47**	**94,240**	**346**	**94,880**
At 30 June 2002	97	48	79,839	2,333	82,317

The historical cost of revalued investment properties as at 30 June 2003 was £71,949,000 (2002: £60,247,000).

notes (continued)

9 Tangible fixed assets *(continued)*

Company	**Freehold land & buildings £000**	**Short leasehold land & buildings £000**	**Investment properties £000**	**Plant & machinery fixtures & fittings £000**	**Total £000**
Cost or valuation					
At beginning of year	110	60	70,934	1,057	72,161
Additions	155	-	17,376	208	17,739
Revaluation	-	-	4,137	-	4,137
Grants and contributions	-	-	(1,682)	-	(1,682)
Disposals	-	-	(15,258)	(220)	(15,478)
At end of year	**265**	**60**	**75,507**	**1,045**	**76,877**
Depreciation and diminution in value					
At beginning of year	12	12	-	681	705
Charge for year	5	1	-	167	173
On disposals	-	-	-	(148)	(148)
At end of year	**17**	**13**	**-**	**700**	**730**
Net book value					
At 30 June 2003	**248**	**47**	**75,507**	**345**	**76,147**
At 30 June 2002	98	48	70,934	376	71,456

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%
Langtree Group (Spring Gardens) Limited	England and Wales	Property Development	Ordinary 100%

Langtree Group (Spring Gardens) Limited was incorporated on 29 August 2002 and changed its name to Langtree Group (Spring Gardens) Limited on 10 February 2003.

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 plc 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.

notes (continued)

11 Stocks

	Group		Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Land held for development	**3,334**	3,934	**3,334**	3,934

12 Debtors

	Group		Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Trade debtors	**1,180**	1,428	**1,133**	1,350
Amounts owed by group undertakings	**-**	-	**14,268**	10,015
Other debtors	**171**	220	**4**	12
Prepayments and accrued income	**211**	169	**211**	169
	1,562	1,817	**15,616**	11,546

Included within amounts owed by group undertakings is £7,500,000 (2002: £7,500,000) 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	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Bank overdraft	**731**	-	**731**	-
Trade creditors	**458**	501	**180**	479
Amounts due to group undertakings	**-**	-	**236**	89
Corporation tax	**1,214**	1,088	**1,215**	1,088
Other taxes and social security	**517**	376	**517**	376
Other creditors	**2,772**	2,577	**2,500**	2,500
Accruals and deferred income	**5,237**	1,974	**1,422**	1,345
Rents in advance	**1,558**	1,593	**3,851**	1,593
Deposits	**480**	368	**333**	306
	12,967	8,477	**10,985**	7,776

notes (continued)

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Bank loans and overdrafts	**23,843**	25,500	**23,843**	25,500
Other creditors	**210**	502	**210**	502
	24,053	26,002	**24,053**	26,002

The bank loans and overdrafts are secured by fixed and floating charges on certain investment properties of the group.

Analysis of Debt

	Group and Company	
	2003	2002
	£000	£000
Under one year	**-**	-
Between one and two years	**-**	-
Between two and five years	**24,053**	26,002
After five years	**-**	-
	24,053	26,002

notes (continued)

15 Provisions for liabilities and charges

	Deferred taxation	
	Group	**Company**
	£000	**£000**
At beginning of year	1,339	1,330
Charge during the year	201	90
At end of year	**1,540**	**1,420**

The amounts provided for deferred taxation are set out below:

	Group		Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Excess of tax allowances over depreciation of tangible fixed assets	**2,379**	1,479	**1,725**	1,470
Other timing differences	**(305)**	(140)	**(305)**	(140)
Tax losses	**(534)**	-	**-**	-
	1,540	1,339	**1,420**	1,330

In addition to the above, the group have revalued their freehold land and buildings by £22,291,000. The maximum potential liability, ignoring indexation allowances that could arise if these assets were sold at this amount, would be £6,700,000.

16 Called up share capital

Equity shares	**2003**	2002
	£000	£000
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each	**50**	50

Non-equity shares	**2003**	2002
	£000	£000
Authorised, allotted, called up and fully paid		
Redeemable Preference shares of £1 each	**13,500**	15,000

On 26 April 2003 the company redeemed 1,500,000 Redeemable Preference shares of £1 each at par.

notes (continued)

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 a rate of 1,500,000 shares 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 have 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 Dividends

	2003 £000	2002 £000
Preference dividend paid in year	**975**	-

18 Reserves

	Investment property Revaluation reserve £000	**Capital redemption reserve £000**	**Profit and loss account £000**	**Total £000**
Group				
At beginning of year	19,592	-	15,904	35,496
Property revaluations	4,251	-	-	4,251
Transfers	(1,552)	-	1,552	-
Profit and loss account for the year	-	-	3,237	3,237
Creation of capital redemption reserve	-	1,500	(1,500)	-
At end of year	**22,291**	**1,500**	**19,193**	**42,984**
Company				
At beginning of year	21,335	-	16,132	37,467
Property revaluations	4,137	-	-	4,137
Transfers	(1,552)	-	1,552	-
Profit and loss account for the year	-	-	3,488	3,488
Creation of capital redemption reserve	-	1,500	(1,500)	-
At end of year	**23,920**	**1,500**	**19,672**	**45,092**

19 Commitments

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

	Group and Company Land and buildings	
	2003 £000	2002 £000
Operating leases which expire:		
Over five years	**100**	100

notes (continued)

20 Reconciliation of movements in shareholders' funds

	Group		Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Profit before dividends	**4,212**	3,946	**4,463**	4,016
Dividends	**(975)**	-	**(975)**	-
Retained profit	**3,237**	3,946	**3,488**	4,016
Preference shares subscribed in year	-	15,000	-	15,000
Other recognised gains and losses during the year (net)	**4,251**	(597)	**4,137**	(299)
Capital redemption	**(1,500)**	-	**(1,500)**	-
Net addition to shareholders' funds	**5,988**	18,349	**6,125**	18,717
Opening shareholders' funds	**50,546**	32,197	**52,517**	33,800
Closing shareholders' funds	**56,534**	50,546	**58,642**	52,517

21 Minority interests

Group	**2003**
	£000
Equity	
At beginning of year	(1,774)
Share of profit	209
Increase in revaluation reserve	109
At end of year	**(1,456)**
Non-equity	**£000**
At beginning of year	7,500
Movement in year	-
At end of year	**7,500**

The rights of the holders of non-equity shares are disclosed in the accounts of Network Space Limited.

22 Pension Scheme

The group operates a defined contribution pension scheme for all staff. The group contributes to the scheme for all staff members. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

The pension cost charge for the year represents contributions payable by the group to the scheme and amounts to £42,256 (2002: £20,989). There were no outstanding amounts or prepayments at the year end.

notes (continued)

23 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. Other creditors, in group and company, include an amount owing to Northern Venture Pension Scheme of £2,500,000 (2002: £2,500,000).

On 24 April 2003 Langtree Group plc purchased St.James' Court, Manchester for £8.65m. This building was sold at cost on 23 May 2003 to Langtree (Guernsey) Limited, a company controlled by Mr W Ainscough.

During the year, Wainhomes (South West) Limited were recharged certain costs totalling £34,866. There were no amounts outstanding at the year end.

24 Reconciliation of operating profit to operating cashflow

	2003 **£000**	2002 £000
Operating profit	**6,008**	5,445
Depreciation	**243**	229
Decrease / (increase) in debtors	**255**	(361)
Increase in creditors	**3,341**	2,610
Decrease / (increase) in stock	**600**	(361)
Net cash inflow from operating activities	**10,447**	7,562

25 Analysis of net debt

	At 30 June 2002 £000	**Cashflow** **£000**	**At 30 June 2003** **£000**
Cash in hand	4,020	**(2,660)**	**1,360**
Overdraft	-	**(731)**	**(731)**
	4,020	**(3,391)**	**629**
Bank debt due after one year	(25,500)	**1,657**	**(23,843)**
Total	(21,480)	**(1,734)**	**(23,214)**

26 Reconciliation of net cash flow to movement in net debt

	2003 **£000**	2002 £000
(Decrease) / increase in cash in the year	**(3,391)**	3,082
Bank debt repaid in the year	**1,657**	3,250
Change in net debt resulting from cash flows before financing	**(1,734)**	6,332
Net debt at the start of the year	**(21,480)**	(27,812)
Net debt at the end of the year	**(23,214)**	(21,480)