ROBERT LUFF FOUNDATION LIMITED

(Limited by Guarantee and Not Having a Share Capital)

Company Number: 891749
Charity Number: 273810

Directors' and Trustees' Report and Financial Statements

Year ended 31st August 2001

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ROBERT LUFF FOUNDATION LIMITED

(Limited by Guarantee and Not Having a Share Capital)

COMPANY INFORMATION

Directors and Trustees	Sir Robert Johnson Lady Johnson R P J Price Ms G Favot Mrs J Tomlinson
Secretary	Ms R Jessop
Company Number	891749
Charity Number	273810
Registered Office	294 Earls Court Road Kensington London SW5 9BB
Bankers	Natwest Bank Plc 195 Earls Court Road London SW5 9AP
Investment Advisors	Schroder Personal Investment Management Limited 33 Gutter Lane London EC2V 8AS Fidelity Investment Services Limited Oakhill House 130 Tonbridge Road Hildenborough Kent TN11 9DZ Carr Sheppards Crosthwaite Limited 2 Gresham Street London EC2V 7QN Merrill Lynch Investment Managers 67 Lombard Street London EC3P 3DL
Solicitors	RadcliffesLeBrasseur 5 Great College Street Westminster London SW1P 3SJ
Auditors	Parker Cavendish 28 Church Road Stanmore Middlesex HA7 4XR

ROBERT LUFF FOUNDATION LIMITED

(Limited by Guarantee and Not Having a Share Capital)

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FOR THE YEAR ENDED 31ST AUGUST 2001

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ROBERT LUFF FOUNDATION LIMITED
(Limited by Guarantee and Not Having a Share Capital)

DIRECTORS' AND TRUSTEES' REPORT

FOR THE YEAR ENDED 31ST AUGUST 2001

The directors and trustees present their report together with the audited financial statements of the company and the group for the year ended 31st August 2001. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounts and Reporting by Charities" issued in October 2000 in preparing the annual report and financial statements of the charity.

Objective and Principal Activity
The charity is constituted as a company limited by guarantee, and is therefore governed by a Memorandum and Articles of Association.

The company's objective and principal activity is the distribution of funds to other charitable institutions with particular reference to medical research. This objective and activity has remained unchanged from previous years.

The principal activity of the company's subsidiary undertaking is disclosed in the notes to the financial statements.

Organisation
The company is organised so that the Trustees consult each other regularly to help manage the company's affairs. The Trustees are assisted by part-time employees and other professional advisors.

Development, Activities and Achievements this Year
The trustees consider that the performance of the charity this year has been satisfactory. Donations to charitable organisations in the year amounted to £761,500 (2000: £244,500).

The construction of a new building was completed in the year. Futurist Limited, the subsidiary undertaking is now occupying the premises at an annual rent of £37,000.

Future Developments
It continues to be the board's intention to preserve the company's resources to ensure that donations can be maintained at acceptable levels in future years. The Trustees believe that this policy will ensure that the company will have sufficient funds in the future to fulfil any obligation to which it is committed.

Transactions and Financial Position
The Statement of Financial Activities shows a net deficit for the group for the year of £353,637 before losses on investments of £2,442,369 and Group Reserves of £19,490,296 at the balance sheet date.

In accordance with policies for investment laid down in earlier years, the company has continued to monitor the amount of cash held on deposit and to invest in acceptable quoted investments when suitable opportunities arise during the year. The value of the company's holdings, after adjusting for disposals and re-investment, have decreased by approximately 12%. This is due to the market value of quoted investments fluctuating at the year end date, and a general downturn in the value of the investment portfolio following the September 11 tragedy.

The amounts donated in the year increased by £517,000 in comparison with the previous year. An extra £500,000 was paid to Cystic Fibrosis Trust, for a five year research project into finding a cure for cystic fibrosis. The company has continued to support similar beneficiaries as in earlier periods.

The results of the subsidiary undertaking are included in the Statement of Financial Activities.

Fixed Assets
Details of movements in fixed assets are set out in notes 7 and 8 to the financial statements.

The principal activity of the subsidiary undertaking, Futurist Limited is disclosed in note 9 to the financial statements.

Directors and Trustees
All directors of the company are also trustees of the charity, and there are no other trustees. All of the trustees named on the company information sheet served throughout the year. The board has the power to appoint additional trustees as it considers fit to do so.

RCW Luff CBE resigned as a Director and Trustee on 8 September 2000.

Statement of Trustees' Responsibilities
The trustees are required by law to prepare financial statements for each financial year which give a true and fair view of the financial activities of the charity and of its financial position at the end of that year. In preparing those financial statements the trustees are required to:-

a) select suitable accounting policies and apply them consistently;

b) make judgements and estimates that are reasonable and prudent;

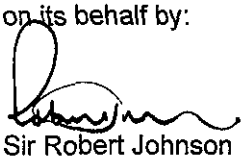
c) state whether the policies adopted are in accordance with the Companies Act 1985 and with applicable accounting standards and statements of recommended practice, subject to any material departures disclosed and explained in the financial statements;

d) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the charity will continue in operation.

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

Auditors
A resolution to re-appoint Messrs. Parker Cavendish as auditors in accordance with Section 385 (1) of the Companies Act 1985 will be proposed at the Annual General Meeting.

Approval
This report was approved by the board of directors and trustees on 27 February 2002 and signed on its behalf by:



Sir Robert Johnson
Director and Trustee

ROBERT LUFF FOUNDATION LIMITED

(Limited by Guarantee and Not Having a Share Capital)

AUDITORS' REPORT TO THE MEMBERS OF ROBERT LUFF FOUNDATION LIMITED

We have audited the financial statements on pages 4 to 17 which have been prepared under the historical cost conventions modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 7 and 8.

Respective Responsibilities of Trustees and Auditors
As described on page 2, the charity's trustees who are also the directors of Robert Luff Foundation Limited for the purposes of company law, are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity'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 charity's affairs at 31st August 2001 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

28 Church Road
Stanmore
Middlesex HA7 4XR

PARKER CAVENDISH
Chartered Accountants
& Registered Auditors

27 February 2002

ROBERT LUFF FOUNDATION LIMITED

(Limited by Guarantee and Not Having a Share Capital)

GROUP STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31ST AUGUST 2001

	Notes	Unrestricted Funds £	Total 2001 £	2000 £
INCOMING RESOURCES				
Investment income and interest	2	526,881	526,881	584,732
Net profit of trading subsidiary	3	24,141	24,141	(33,972)
Total Income		551,022	551,022	550,760
RESOURCES EXPENDED				
Direct Charitable Expenditure				
Donations	4	761,500	761,500	244,500
Other Expenditure				
Administration costs	5	143,159	143,159	186,619
Total Expenditure		904,659	904,659	431,119
NET (DEFICIT)/SURPLUS FOR THE YEAR		(353,637)	(353,637)	119,641

STATEMENT OF OTHER RECOGNISED GAINS AND LOSSES

	Restricted Funds £	Unrestricted Funds £	Total 2001 £	2000 £
Losses on fixed asset investments:-				
Realised	-	(269,510)	(269,510)	(127,695)
Unrealised	-	(2,172,859)	(2,172,859)	2,876,187
	-	(2,442,369)	(2,442,369)	2,748,492
Net movement in funds for the year	-	(2,796,006)	(2,796,006)	2,868,133
Resources used for acquisition of fixed assets.	390,379	(390,379)	-	-
Net movement in funds available for future activities	390,379	(3,186,385)	(2,796,006)	2,868,133
Fund balance brought forward	-	22,140,149	22,140,149	19,272,016
Fund balance carried forward	390,379	18,953,764	19,344,143	22,140,149

The notes on pages 7 to 17 form part of these financial statements.

ROBERT LUFF FOUNDATION LIMITED

(Limited by Guarantee and Not Having a Share Capital)

GROUP BALANCE SHEET AS AT 31ST AUGUST 2001

	Notes	2001 £	2001 £	2000 £	2000 £
FIXED ASSETS					
Tangible fixed assets	7		646,540		279,231
Listed investments	8		17,657,095		20,059,158
Investments	9		30		-
			18,303,665		20,338,389
CURRENT ASSETS					
Stocks		75,690		67,282	
Debtors	10	287,636		443,750	
Cash at bank and in hand		1,046,980		1,659,731	
		1,410,306		2,170,763	
CREDITORS: Amounts falling due within one year	11	(216,776)		(219,594)	
NET CURRENT ASSETS			1,193,530		1,951,169
TOTAL ASSETS LESS CURRENT LIABILITIES			19,497,195		22,289,558
CREDITORS: Amounts falling due after more than one year	12		(6,899)		(3,256)
NET ASSETS			19,490,296		22,286,302
CAPITAL AND RESERVES					
Restricted funds			390,379		-
Unrestricted funds			19,164,123		22,323,582
Post acquisition loss of subsidiary undertaking			(210,359)		(183,433)
			19,344,143		22,140,149
Capital reserve on consolidation			146,153		146,153
			19,490,296		22,286,302

Approved by the board of directors and trustees on 27 February 2002 and signed on its behalf by:

Sir Robert Johnson
Director and Trustee

The notes on pages 7 to 17 form part of these financial statements.

ROBERT LUFF FOUNDATION LIMITED

(Limited by Guarantee and Not Having a Share Capital)

COMPANY BALANCE SHEET AS AT 31ST AUGUST 2001

	Notes	2001 £	2001 £	2000 £	2000 £
FIXED ASSETS					
Tangible fixed assets	7		390,379		-
Listed investments	8		17,657,097		20,059,158
Investments	9		70,130		70,100
			18,117,606		20,129,258
CURRENT ASSETS					
Debtors	10	516,966		603,724	
Cash at bank and in hand		986,946		1,659,714	
		1,503,912		2,263,438	
CREDITORS: Amounts falling due within one year	11	(67,016)		(55,914)	
NET CURRENT ASSETS			1,436,896		2,207,524
NET ASSETS			19,554,502		22,336,782
CAPITAL					
Restricted funds	16		390,379		-
Unrestricted funds	16		19,164,123		22,336,782
			19,554,502		22,336,782

Approved by the board of directors and trustees on 27 February 2002 and signed on its behalf by:

Sir Robert Johnson
Director and Trustee

The notes on pages 7 to 17 form part of these financial statements.

1. ACCOUNTING POLICIES

1.1 Basis of Preparation of Financial Statements

The Financial Statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets and include the results of the charity's operations which are described in the Directors' and Trustees' Report and all of which are continuing.

The accounts have been prepared in compliance with Statement of Recommended Practice Accounting and Reporting by Charities (SORP 2000) issued in October 2000, applicable accounting standards and the Companies Act 1985.

The charity has taken advantage of the exemption in Financial Reporting Standard No. 1 from the requirement to produce a cashflow statement.

Basis of consolidation

The consolidated accounts incorporate the accounts of Robert Luff Foundation Limited and its trading subsidiary, Futurist Limited. A separate profit and loss account, dealing with the results of the holding company only, has not been presented as permitted by Section 230 of the Companies Act 1985.

1.2 Incoming resources

Incoming resources consist of rent receivable, dividends receivable from listed investments, interest on British Government and other listed stocks and scrip dividends. All such income is accounted for on a receipts basis.

1.3 Resources expended

Resources expended are included in the statement of Financial Activities on an accruals basis.

Direct charitable expense consists of donations which are distributed to other charitable institutions with particular reference to medical research.

1.4 Investments

Investments are stated at market value. Realised and unrealised gains and losses on investments are dealt with in the Statement of Financial Activities.

1.5 Value Added Tax

Output VAT is paid on rent receivable. Input VAT is reclaimed by the charity on certain expenses only, and as such all other costs in the Statement of Financial Activities are inclusive of Value Added Tax.

1.6 Administration Costs

Administration costs include all expenditure not directly related to the charitable activity. This includes costs of renting and operating office premises, staff salaries for administrative staff, audit, investment management and other professional fees.

1.7 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and relates principally to activities carried out in the United Kingdom.

1.8 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their useful estimated residual value, over their expected useful lives on the following basis:

Freehold buildings	4% straight line basis
Hire of equipment	25% reducing balance basis
Fixtures and fittings	10% reducing balance basis
Leasehold improvements	10% straight line basis

No depreciation has been provided against the freehold building as the construction of the building was completed in the year.

1.9 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance leases are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.10 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account as incurred.

1.11 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is the amount incurred in bringing each product to its present location and condition as follows:

a) Raw materials – purchase cost on first in, first out basis
b) Finished goods – cost of direct materials and labour plus attributable overheads based on the normal level of activity.
c) Work in progress and finished goods – cost of direct materials and labour plus attributable overheads based on the normal level of activity.
d) Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

1.12 Deferred taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

2. INVESTMENT INCOME AND INTEREST

	2001 £	2000 £
Income from listed investments	251,428	246,583
Interest receivable on cash deposits	275,036	306,915
Group loan interest relating to prior years	-	31,234
Other interest	417	-
	526,881	584,732

All of the above investment income is from investment assets held within UK.

3. NET PROFIT OF TRADING SUBSIDIARY

A summary of the results of the trading subsidiary, Futurist Limited, is shown below. Audited financial statements have been filed with the Registrar of Companies.

Turnover	837,401	860,402
Cost of sales	(584,007)	(595,883)
Gross profit	253,394	264,519
Administrative expenses	(250,903)	(291,648)
Operating profit	2,491	(27,129)
Interest receivable	333	-
Interest payable	(16,550)	(20,043)
Loss on ordinary activities before taxation	(13,726)	(47,172)
Taxation	-	-
Loss on ordinary activities after taxation	(13,726)	(47,172)
Group loan interest	13,200	13,200
Group rent	24,667	-
	24,141	(33,972)

4. DONATIONS

	2001 £	2000 £
St Dunstan's	-	2,000
British Scoliosis Research Foundation	12,500	12,500
National Asthma Campaign	15,000	15,000
Sheffield Health Authority Trust Fund	16,250	16,250
University College London Medical School	16,250	16,250
British Lung Foundation	26,500	26,500
Cystic Fibrosis Trust	530,000	30,000
St John's Ambulance	30,000	30,000
Harpur Trust	50,000	50,000
National Heart & Lung Institute	45,000	45,000
Dyslexia Research Trust	-	500
Winged Fellowship Trust	-	500
St. Briavels Centre	20,000	-
	761,500	244,500

5. ADMINISTRATION COSTS

Office rent and services	5,500	5,500
Directors remuneration	12,894	-
Administration staff costs	22,664	21,791
Audit fees	15,000	15,000
Investment management fees	44,365	67,804
Other administrative costs	42,736	76,524
	143,159	186,619

6. STAFF COSTS

Remuneration of £12,894 was paid to Ms G Favot, who is both a director and a trustee of the charity.

No remuneration was paid to the other Directors/Trustees in the year, nor were any expenses reimbursed to them. The costs of the remaining staff were:-

	2001 £	2000 £
Wages and salaries	20,595	19,895
Social security costs	2,069	1,896
	22,664	21,791

The average weekly number of staff employed by the charity during the year were as follows:-

	2001 No.	2000 No.
Direct charitable work and administration	2	1

No employee received remuneration of more than £50,000.

7. TANGIBLE FIXED ASSETS

GROUP	Freehold land and building £	Hire equipment £	Leasehold improvements £	Fixtures & fittings £	Total £
Cost					
At 1st September 2000	-	642,460	1,404	180,746	824,610
Additions	390,379	31,152	5,856	2,642	430,029
At 31st August 2001	390,379	673,612	7,260	183,388	1,254,639
Depreciation					
At 1st September 2000	-	447,962	-	97,417	545,379
Charge for the year	-	53,555	727	8,438	62,720
At 31st August 2001	-	501,517	727	105,855	608,099
Net Book Values					
At 31st August 2001	390,379	172,095	6,533	77,533	646,540
At 31st August 2000	-	194,498	1,404	83,329	279,231

The net book value of tangible fixed assets includes assets held under hire purchase contracts and finance leases amounting to £36,683 (2000: £70,499).

7. TANGIBLE FIXED ASSETS (continued)

COMPANY	Freehold land and buildings £
Cost	
Additions	390,379
At 31st August 2001	390,379
Depreciation	
Charge for the year	-
At 31st August 2001	-
Net Book Value	
At 31st August 2001	390,379

No depreciation has been provided as the construction of the building was only completed in the year.

8. LISTED INVESTMENTS

	2001 £	2000 £
Market Value:		
At 1st September 2000	20,059,158	16,935,003
Additions	4,679,736	1,624,863
	24,738,894	18,559,866
Disposals	(4,908,940)	(1,376,895)
Unrealised losses	(2,172,859)	2,876,187
At 31st August 2001	17,657,095	20,059,158
Cost at 31st August 2001	12,590,229	10,009,353

All of the above listed investments are held within UK.
Cash deposits of £263,122 (2000: £356,883) were held as part of the investment portfolio which is included within cash at bank and in hand.

10. DEBTORS

	2001		2000	
	Group £	Company £	Group £	Company £
Due within one year				
Trade debtors	93,783	-	103,285	-
Other debtors	92,064	39,257	251,865	244,664
Income tax recoverable	83,698	73,302	59,355	49,626
Prepayments and accrued income	18,091	-	29,245	-
Amounts owed by group undertaking	-	404,407	-	309,434
	287,636	516,966	443,750	603,724

Included within the amounts owed by group undertaking is an amount of £392,634 which relates to loan and interest receivable from Futurist Limited. The loan bears interest at 6% with no fixed terms of repayment.

11. CREDITORS: Amounts falling due within one year

	2001		2000	
	Group £	Company £	Group £	Company £
Bank overdraft	-	-	17,606	-
Trade creditors	111,393	-	93,848	-
Other creditors	67,545	51,316	32,630	18,522
Social security and other taxes	9,418	-	20,329	-
Accruals and deferred income	28,420	15,700	55,181	37,392
	216,776	67,016	219,594	55,914

12. CREDITORS: Amounts falling due after more than one year

	2001		2000	
	Group £	Company £	Group £	Company £
Obligations under finance leases and hire purchase agreements	6,899	-	3,256	-
The minimum obligations under finance leases and hire purchase agreements to which the subsidiary undertaking was committed at 31st August 2001 were as follows:-				
Repayable within one year	18,206	-	15,896	-
Repayment between one and five years	6,779	-	3,708	-
	24,985	-	19,604	-
Finance charges and interest allocated to future accounting periods	(1,857)	-	(2,242)	-
Aggregate amounts	23,128	-	17,362	-
Falling due within one year	16,229		14,106	-
Falling due after more than one year	6,899	-	3,256	
	23,128		17,362	-

13. FUNDS OF THE CHARITY

The financial strategy of the Foundation has always been to transfer net income after donations, and administrative costs and net surplus on the sale of investments to a capital fund. This fund is not a permanent endowment as the trustees have the power to convert capital from this fund into income.

14. LEASE COMMITMENTS

At 31st August 2001, the group had annual commitments under non-cancellable operating leases as set out below:

	2001 £ Other	2000 £ Other
Operating lease which expires:		
Within one year	-	21,459

15. CAPITAL COMMITMENTS

Contracted for - land and buildings	-	365,000

16. ANALYSIS OF FUND BALANCES BETWEEN THE NET ASSETS

	Restricted fund £	Unrestricted fund £	Total £
Tangible fixed assets	390,379	-	390,379
Investments	-	17,727,227	17,727,227
Net current assets	-	1,436,896	1,436,896
	390,379	19,164,123	19,554,502

17. CONTINGENCIES

The company is limited by guarantee and, in the event of a winding-up, the liability of its members is limited to an amount not exceeding £10 per member.

18. TRANSACTIONS WITH DIRECTORS AND RELATED PARTIES

Other creditors include £43,043 (2000: £7,522) due to Robert Luff Limited, a company in which R C W Luff was a director (resigned 8 September 2000) and shareholder during the year. This balance arose from the allocation of expenses incurred by Robert Luff Limited and recharged to the company. No profits or losses arose on these transactions.

Other debtors include £17,820 (2000: £11,497) due from The Beryl Evetts and Robert Luff Animal Welfare Trust Limited, a charitable company, which is Limited by Guarantee. All the directors of Robert Luff Foundation Limited were also directors of this company. This balance arose due to the recharge of expenses from this company. No profits or losses arose on these transactions.

During the year the company rented premises from R C W Luff at a cost of £5,500 per annum. This rent was at market value.

During the year, the group bought services of £64,500 (2000: £71,050) and re-charged expenses of £906 from DML Corporation Limited, a company in which M Lister and D Lister are directors. M Lister and D Lister are directors of Futurist Limited. At the year end, Futurist Limited was owed £7,256 from DML Corporation Limited. The group also bought goods of £16,529 and sold goods of £12,800 to Vivid Innovations Limited (formerly New Millenium Lighting Limited) a company in which M Lister and D Lister are directors. At the year end, Futurist Limited was owed £35,756 from Vivid Innovations Limited. The group bought £40,287 (2000: £31,763) of services from RadcliffesLeBrasseur, Solicitors, a firm in which R P J Price is a partner. R P J Price is also a director of Futurist Limited and Robert Luff Foundation Limited. All transactions were carried out on an arms length basis.

The company has taken advantage of the exemption in Financial Reporting Standard No. 8 from the requirement to disclose related party transactions with group undertakings.