

**HIGHSTONE ESTATES (HARROGATE)
LIMITED**

Report and Financial Statements

31 March 2009

DSC, Chartered Accountants

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HIGHSTONE ESTATES (HARROGATE) LIMITED

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D Belward

SECRETARY

A Roff

REGISTERED OFFICE

Beech Villa
1 Esplanade
Harrogate
North Yorkshire
HG2 0LN

BANKERS

National Westminster Bank plc
3 Cambridge Crescent
Harrogate
HG1 1PE

SOLICITORS

Addleshaw Goddard
Sovereign House
Sovereign Street
Leeds
LS1 1HQ

AUDITORS

DSC
Chartered Accountants and Registered Auditors
4 Princes Square
Harrogate
HG1 1LX

DIRECTOR'S REPORT

The director presents his annual report and the audited financial statements for the year ended 31 March 2009.

This director's report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985.

ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company continues to be property development and investment.

DIRECTOR

The director who served during the year, and up to the date of this report, was as follows:

P. Sykes

P Sykes resigned as a director on 16 September 2009 and D Belward was appointed a director on the same date.

STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

- 1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- 2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985.

DSC have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



D Belward
Director

19 January 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company 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;
- 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 are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HIGHSTONE ESTATES (HARROGATE) LIMITED

We have audited the financial statements of Highstone Estates (Harrogate) Limited for the year ended 31 March 2009 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above period and consider the implications for our report if we become aware of any apparent misstatements.

Basis of opinion

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

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

We have undertaken the audit in accordance with the requirements of APB Ethical Standards including APB Ethical Standard – Provisions Available to Small Entities, in the circumstances set out in note 16 to the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its loss for the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the Report of the Director is consistent with the financial statements.


DSC

Chartered Accountants and Registered Auditors

19 January 2010

HIGHSTONE ESTATES (HARROGATE) LIMITED**PROFIT AND LOSS ACCOUNT**
Year ended 31 March 2009

	Note	2009 £	2008 £
TURNOVER	2	15,000	84,000
Cost of sales		-	-
GROSS PROFIT		15,000	84,000
Administrative expenses		(496,668)	(562,727)
OPERATING LOSS		(481,668)	(478,727)
Interest payable and similar charges	3	(66)	(110)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(481,734)	(478,837)
Tax on loss on ordinary activities	6	7,115	2,196
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE YEAR	12	(474,619)	(476,641)

The accompanying notes are an integral part of this profit and loss account.

All activities derive from continuing operations.

There are no recognised gains and losses for the current and preceding financial years other than the losses shown above. Accordingly, no statement of total recognised gains and losses has been presented.

HIGHSTONE ESTATES (HARROGATE) LIMITED

BALANCE SHEET

31 March 2009

	Note	2009 £	2008 £
FIXED ASSETS			
Tangible assets	7	<u>4,229,569</u>	<u>4,270,765</u>
CURRENT ASSETS			
Debtors	8	54,614,685	55,073,400
Cash at bank and in hand		<u>5,554</u>	<u>233</u>
		54,620,239	55,073,633
CREDITORS: amounts falling due within one year	9	<u>(61,022)</u>	<u>(73,878)</u>
NET CURRENT ASSETS		<u>54,559,217</u>	<u>54,999,755</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>58,788,786</u>	<u>59,270,520</u>
PROVISIONS FOR LIABILITIES AND CHARGES	10	<u>(20,281)</u>	<u>(27,396)</u>
NET ASSETS		<u><u>58,768,505</u></u>	<u><u>59,243,124</u></u>
CAPITAL AND RESERVES			
Called up share capital	11	20,000	20,000
Share premium account	12	84,000	84,000
Revaluation reserve	12	2,047,403	2,047,403
Profit and loss account	12	<u>56,617,102</u>	<u>57,091,721</u>
EQUITY SHAREHOLDERS' FUNDS	13	<u><u>58,768,505</u></u>	<u><u>59,243,124</u></u>

These financial statements were approved by the Board of Directors on 19 January 2010.

Signed on behalf of the Board of Directors



D Belward
Director

The accompanying notes are an integral part of this balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain fixed assets and in accordance with applicable UK accounting standards.

The company has taken advantage of the exemption from the requirement of FRS 1 to present a cash flow statement because it is a wholly owned subsidiary of Highstone Group Limited, which prepares consolidated financial statements which are publicly available.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land at rates calculated to write off the cost or valuation, less estimated residual value of each asset on a straight-line basis over its estimated useful life as follows:

Office equipment, fixtures and fittings	4 – 10 years
Motor vehicles	4 years

Land and buildings not held as investment properties are not depreciated. It is the company's practice to maintain the properties in a continual state of sound repair and to extend and make improvements thereto from time to time. Having regard to this, including their long useful life and high residual value, it is the opinion of the directors that depreciation of any such property as required by the Companies Act 1985 and standard accounting practice would not be material.

Investment properties

Investment properties are revalued annually. Surplus or deficits on individual properties are transferred to the revaluation reserve, unless a deficit is expected to be permanent. Permanent deficits in excess of any previously recognised surplus on the same property (or the reversal of such a deficit), are charged (or credited) to the profit and loss account.

On the disposal of a revalued fixed asset, any related balance remaining in the revaluation reserve will be transferred to the profit and loss account as a movement on reserves.

Taxation

Current tax, being UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to disposed of these assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

2. TURNOVER

Turnover represents amounts receivable from rentals and service charges in the normal course of business, net of VAT.

HIGHSTONE ESTATES (HARROGATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2009 £	2008 £
Bank interest	66	28
Interest on overdue taxes	-	81
	<u>66</u>	<u>110</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Staff costs

The average monthly number of persons (including directors) employed by the company during the year was:

	2009 Number	2008 Number
Administration and management	<u>3</u>	<u>3</u>

Their aggregate remuneration comprised:

	2009 £	2008 £
Wages and salaries	61,557	103,582
Social security costs	6,487	11,646
	<u>68,044</u>	<u>115,228</u>

Directors' remuneration:

Wages, salaries and benefits	-	53,000
Social security costs	-	6,764
	<u>-</u>	<u>59,764</u>

Highest paid director:

Wages, salaries and benefits	-	53,000
Social security costs	-	4,419
	<u>-</u>	<u>57,419</u>

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2009 £	2008 £
Depreciation on tangible fixed assets - owned	52,075	50,987
Loss on disposal of fixed assets	-	14,097
Auditors' remuneration for audit services	<u>2,000</u>	<u>2,000</u>

HIGHSTONE ESTATES (HARROGATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2009

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	2009 £	2008 £
Current tax		
Corporation tax	-	-
Group relief	-	-
Adjustments in respect of prior years		
UK corporation tax	-	(592)
Group relief	-	-
Total current tax charge/(credit)	<u>-</u>	<u>(592)</u>
Deferred tax		
Origination and reversal of timing differences	(7,115)	(1,919)
Adjustments in respect of prior years	-	315
Total deferred tax	<u>(7,115)</u>	<u>(1,604)</u>
Total tax credit on loss on ordinary activities	<u>(7,115)</u>	<u>(2,196)</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2009 £	2008 £
Loss on ordinary activities before tax	<u>(481,734)</u>	<u>(478,837)</u>
Tax on loss on ordinary activities at standard UK corporation tax rate of 28%	(134,886)	(143,651)
Effects of:		
Expenses not deductible for tax purposes	13,318	1,703
Capital allowances in excess of depreciation	(878)	(38)
Group relief	122,446	141,986
Adjustment to tax charge in respect of previous periods	-	(592)
Current tax charge/(credit) for year	<u>-</u>	<u>(592)</u>

HIGHSTONE ESTATES (HARROGATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

7. TANGIBLE FIXED ASSETS

	Investment Properties Freehold £	Land and Buildings Freehold £	Office equipment, fixtures and fittings £	Total £
Cost or valuation				
At 1 April 2008	2,500,000	1,500,000	509,868	4,509,868
Additions	-	-	10,879	10,879
Disposals	-	-	-	-
At 31 March 2009	<u>2,500,000</u>	<u>1,500,000</u>	<u>520,747</u>	<u>4,520,747</u>
Depreciation				
At 1 April 2008	-	-	239,103	239,103
Charge for the year	-	-	52,075	52,075
Disposals	-	-	-	-
At 31 March 2009	<u>-</u>	<u>-</u>	<u>291,178</u>	<u>291,178</u>
Net book value				
At 31 March 2009	<u>2,500,000</u>	<u>1,500,000</u>	<u>229,569</u>	<u>4,229,569</u>
At 31 March 2008	<u>2,500,000</u>	<u>1,500,000</u>	<u>270,765</u>	<u>4,270,765</u>

The investment property was valued, on an open market existing use basis, at 31 March 2009, by C J Dalzell who is a former director of the company and a member of the Royal Institute of Chartered Surveyors. The directors consider the current open market value of the property to be not materially different from the amount disclosed. If the freehold land and buildings had not been revalued they would have been stated at a cost of £1,952,597 (2008: £1,952,597).

Freehold land and buildings comprise:

	2009 £	2008 £
Investment properties stated at valuation	2,500,000	2,500,000
Other properties stated at valuation	<u>1,500,000</u>	<u>1,500,000</u>
	<u>4,000,000</u>	<u>4,000,000</u>

8. DEBTORS

	2009 £	2008 £
Amounts owed by parent company	54,575,603	55,057,039
VAT debtor	18,944	8,941
Prepayments and accrued income	<u>20,138</u>	<u>7,420</u>
	<u>54,614,685</u>	<u>55,073,400</u>

HIGHSTONE ESTATES (HARROGATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Bank overdraft	-	9,544
Other taxes and social security costs	2,141	1,334
Accruals and deferred income	58,881	63,000
	<u>61,022</u>	<u>73,878</u>

10. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £
At 1 April 2008	27,396
Credit to profit and loss account	(7,115)
	<u>20,281</u>
At 31 March 2009	<u>20,281</u>

The amounts of deferred taxation recognised in the accounts are as follows:

	2009 £	2008 £
Capital allowances in excess of depreciation	<u>20,281</u>	<u>27,396</u>

11. CALLED UP SHARE CAPITAL

	2009 £	2008 £
Authorised		
20,000 ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
Called up, allotted and fully paid		
20,000 ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>

12. RESERVES

	Share premium account £	Revaluation reserve £	Profit and loss account £	Total £
At 1 April 2008	84,000	2,047,403	57,091,721	59,223,124
Retained loss for the year	-	-	(474,619)	(474,619)
At 31 March 2009	<u>84,000</u>	<u>2,047,403</u>	<u>56,617,102</u>	<u>58,748,505</u>

HIGHSTONE ESTATES (HARROGATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2009

13. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2009 £	2008 £
Loss for the financial year and net reduction in equity shareholders' funds	(474,619)	(476,641)
Opening equity shareholders' funds	<u>59,243,124</u>	<u>59,719,765</u>
Closing equity shareholders' funds	<u>58,768,505</u>	<u>59,243,124</u>

14. ULTIMATE PARENT COMPANY

At the year end, and during the year, the directors regarded Highstone Group Ltd, a company incorporated in England and Wales, as the ultimate parent company.

Highstone Group Limited is the head of the only group in which the results of the company are consolidated. The financial statements of that company are publicly available and can be obtained from Beech Villa, 1 Esplanade, Harrogate, North Yorkshire, HG2 0LN.

As a subsidiary undertaking of Highstone Group Limited, the company has taken advantage of the exemption in FRS 8 "Related party disclosures" from disclosing transactions with other members of the group headed by that company.

15. ULTIMATE CONTROLLING PARTY

Mr P Sykes is the sole shareholder of Highstone Group Limited. The directors regard Mr P Sykes as the ultimate controlling party of the company.

16. APB ETHICAL STANDARD – PROVISIONS AVAILABLE FOR SMALL ENTITIES

In common with many businesses of our size and nature we use our auditors to assist with the preparation of the financial statements.

ADDITIONAL INFORMATION

The additional financial information, which comprises the company profit and loss account, has been prepared from the accounting records of the company. While it does not form part of the statutory financial statements, it should be read in conjunction with them and the auditors' report thereon.

HIGHSTONE ESTATES (HARROGATE) LIMITED

DETAILED PROFIT AND LOSS ACCOUNT

Year ended 31 March 2009

	£	2009 £	£	2008 £
TURNOVER				
Management charges	15,000	15,000	84,000	84,000
Cost of sales and operating expenses				
Advertising	15,000		15,000	
Audit	2,000		2,100	
Cleaning	1,971		1,672	
Depreciation and loss on disposal of fixed assets	52,075		65,084	
Insurance	6,387		8,401	
Light and heat	15,333		7,760	
Motor and travelling expenses	995		2,308	
Postage, printing and stationery	1,616		2,624	
Professional fees	200,350		201,650	
Service charge expenses	-		205	
Rates	30,073		21,553	
Repairs and renewals	75,971		92,608	
Sundry expenses	6,963		10,008	
Bank charges and fees	1,902		1,713	
Telephone	17,988		14,813	
Wages and salaries	68,044		115,228	
		(496,668)		(562,727)
		(481,668)		(478,727)
Interest payable				
Bank interest		(66)		(29)
Interest on overdue taxes		-		(81)
Net loss before taxation		(481,734)		(478,837)

This page is for directors' information only and does not form part of the audited financial statements.