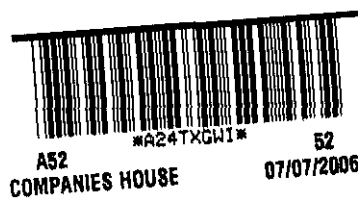


**Sterling Capitol Properties (South Yorkshire)
Limited**

**Directors' report and financial
statements**

Registered number 2968415

31 December 2005



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activities

The principal activity of the company is property development.

Business review

The directors consider the results for the year to be satisfactory.

Directors and directors' interests

The directors do not recommend the payment of a dividend (2004: £nil)

The directors who held office during the year were as follows:

M Croxen
C Salkeld


The directors have no beneficial interest in the share capital of the company.

The interests of Mr M Croxen in the shares of the ultimate holding company, Sterling Capitol Group Limited are shown in the annual report of Sterling Capitol Group Limited.

Auditors

In accordance with Section 284 of the Companies Act 1985, a resolution for re-appointment of KPMG LLP as auditors is to be proposed at the forthcoming Annual General Meeting.

By order of the board


Martin Croxen LLB FCA
Director

1 Lisbon Square
Leeds
LS1 4LY

12.6.2006

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.



1 The Embankment
Neville Street
Leeds
LS1 4DW

Report of the independent auditors to the members of Sterling Capitol Properties (South Yorkshire) Limited

We have audited the financial statements of Sterling Capitol Properties (South Yorkshire) Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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 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

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant 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 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

**Report of the independent auditors to the members of Sterling Capitol Properties
(South Yorkshire) Limited**
(continued)

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss 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

19th June 2006

Profit and loss account
for the year ended 31 December 2005

	<i>Note</i>	2005 £	2004 £
Turnover		-	-
Cost of sales		(6,057)	(40,033)
		<hr/>	<hr/>
Gross loss		(6,057)	(40,033)
Administrative expenses		(10)	(225)
Other operating income		-	1,791
		<hr/>	<hr/>
Operating loss		(6,067)	(38,467)
Interest payable and similar charges	3	(50)	-
Interest receivable – on bank balances		22	-
		<hr/>	<hr/>
Loss on ordinary activities before taxation	2	(6,095)	(38,467)
Tax on loss on ordinary activities	4	459	120
		<hr/>	<hr/>
Loss on ordinary activities after tax		(5,636)	(38,347)
		<hr/>	<hr/>

All of the company's activities are continuing.

There were no recognised gains or losses other than the profit for the financial year.

There is no difference between the profit on ordinary activities before taxation and the results for the year stated above, and their historical cost equivalents.

Balance sheet
as at 31 December 2005

	<i>Note</i>	2005 £	2004 £
Current assets			
Debtors	5	103,298	103,418
		<hr/>	<hr/>
		103,298	103,418
Creditors: amounts falling due within one year	6	(213,723)	(208,207)
		<hr/>	<hr/>
Net liabilities		(110,425)	(104,789)
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	7	1	1
Profit and loss account	8	(110,426)	(104,790)
		<hr/>	<hr/>
Equity shareholders' deficit	9	(110,425)	(104,789)
		<hr/>	<hr/>

These financial statements were approved by the board of directors on
 on its behalf by:

12.6.2006 and were signed


Martin Croxen LLB FCA
Director

Notes

(forming part of the financial statements)

1 Accounting policies

A summary of the company's principal accounting policies, all of which have been applied consistently throughout the year, other than as noted below, is set out below:

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

At 31 December 2005, the company's liabilities exceeded its assets. However, the directors have prepared the accounts on the going concern basis of accounting in view of an undertaking by the company's ultimate parent undertaking to continue to provide financial support to the company to enable it to meet its debts as they fall due.

Cash flow statement

As the company is wholly owned by an entity that has published a consolidated cash flow statement, the company has taken advantage of the exemption under Financial Reporting Standard 1 (revised 1996) from preparing a cash flow statement.

Turnover

Turnover represents the value of legally completed property sales net of related taxes.

Government Grants

Government grants relating to properties held for development are treated as deferred income and released to the profit and loss account as the costs of those developments are charged to the profit and loss account.

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.

Stocks

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

Where the directors consider developments to be substantial with practical completion expected after more than one year from commencement and have been financed by specific identifiable borrowings, the cost of those developments includes interest attributable up to the point of practical completion.

2 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2005	2004
	£	£
Staff costs	-	-
Auditor's remuneration	-	-
	<hr/>	<hr/>

Auditor's remuneration and staff costs were borne by the company's intermediate parent undertaking Sterling Capitol PLC.

The average monthly number of persons employed by the company was two (2004: two). None of the directors received any emoluments for their services to the company.

Notes (continued)

3 Interest payable and similar charges

	2005 £	2004 £
Other charges	50	-

4 Taxation

(a) Analysis of charge in the year

	2005 £	2004 £
Current tax		
UK Corporation tax on profit for the year	-	-
Adjustments in respect of previous years	459	(120)
Total current tax (note 3 (b))	459	(120)
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	459	(120)

(b) Factors affecting tax charge for the year

	2005 £	2004 £
Loss ordinary activities before tax	(5,636)	(38,467)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	(1,691)	(11,540)
Effects of:		
Group relief surrendered not paid	1,691	11,540
Adjustments to tax charge in respect of previous years	459	(120)
Current tax charge for the year (note 3 (a))	459	(120)

5 Debtors

Debtors comprise amounts falling due within one year

	2005 £	2004 £
Other debtors	103,298	103,418

Notes (continued)

6 Creditors: amounts falling due within one year

	2005 £	2004 £
Amounts due to immediate parent undertaking	213,723	194,973
Corporation tax	-	-
Accruals	-	13,234
	<u>213,723</u>	<u>208,207</u>

7 Called up share capital

	2005 £	2004 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1	<u>1</u>	<u>1</u>

8 Reserves

	Profit and loss account £
At 1 January 2005	(104,790)
Loss for the year	(5,636)
At 31 December 2005	<u>(110,426)</u>

9 Reconciliation of movements in equity shareholders' deficit

	2005 £	2004 £
Loss for the financial year	(5,636)	(38,347)
Net increase in equity shareholders' deficit	(5,636)	(38,347)
Equity shareholders' deficit at the beginning of the year	<u>(104,789)</u>	<u>(66,442)</u>
Equity shareholders' deficit at the end of year	<u>(110,425)</u>	<u>(104,789)</u>

10 Contingent liabilities

The company and certain subsidiaries have given counter indemnities in respect of performance bonds issued, on behalf of group companies, in the normal course of business.

Notes *(continued)*

11 Related party transactions

The company has taken advantage of the exemptions under Financial Reporting Standard No 8 as a wholly owned subsidiary and has not disclosed transactions with companies that are part of the Sterling Capitol Group Limited group.

During the year Yorkshire Financial Management Limited provided accounting services to the company and other related companies with a total value of £23,760 (2004: £23,760). C Salkeld was a director of this company throughout the period.

12 Ultimate parent undertaking

The company's immediate parent undertaking is Sterling Capitol plc, a company registered in England and Wales which is the parent undertaking at the smallest group to consolidate their financial statements.

The ultimate parent undertaking and controlling party is Sterling Capitol Group Limited, which is the parent undertaking of the largest group to consolidate these financial statements. Group accounts have been prepared by this company and will be available from Companies House.