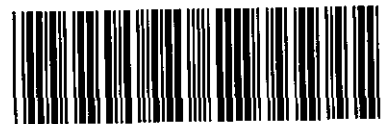


HIGHSTONE ESTATES LIMITED

Report and Financial Statements

31 March 2006

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COMPANIES HOUSE

DSC, Chartered Accountants

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P Sykes
C J Dalzell
R W Dawson

SECRETARY

R W Dawson

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

TAX ADVISERS

Deloitte & Touche LLP
1 City Square
Leeds
LS1 2AL

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is property development and investment. The company finished and sold all of its developments and properties in the previous year. Although actively looking for new opportunities the company did not make any acquisitions during the current year. The directors will continue to look for new opportunities. Details of expected income in the coming financial year are disclosed in note 12 of the financial statements.

RESULTS AND DIVIDENDS

The profit for the year, after tax, amounted to £44,458 (2005: loss £5,866). The directors do not recommend payment of a dividend for the year (2005: £nil).

DIRECTORS AND THEIR INTERESTS

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

P Sykes
C.J. Dalzell
R.W. Dawson

None of the directors in office at the year-end held any beneficial interests in the shares of the company at 31 March 2006 or 1 April 2005. The interests of the directors in the share capital of Highstone Group Limited, the company's ultimate parent company, are disclosed in the directors' report of that company.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each 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.

AUDITORS

A resolution to reappoint DSC as the company's auditors will be proposed at the forthcoming Annual General Meeting.

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



R. W. Dawson
Secretary

19 December 2006

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 year. 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 LIMITED

We have audited the financial statements of Highstone Estates Limited for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheet and the related notes 1 to 12. 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 year 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.

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 2006 and of its profit for the year then ended and
- have been properly prepared in accordance with the Companies Act 1985.



DSC

Chartered Accountants and Registered Auditors

19 December 2006

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2006

	Note	2006 £	2005 £
TURNOVER		-	-
Cost of sales		-	-
		<hr/>	<hr/>
GROSS PROFIT		-	-
Administrative expenses		(2,171)	(3,644)
		<hr/>	<hr/>
OPERATING (LOSS)		(2,171)	(3,644)
Interest receivable and similar income		3,658	-
Interest payable and similar charges		-	(80)
		<hr/>	<hr/>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	1,487	(3,724)
Tax on profit / (loss) on ordinary activities	4	42,971	(2,142)
		<hr/>	<hr/>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE YEAR	8	<u>44,458</u>	<u>(5,866)</u>

There are no recognised gains or losses other than the profit for the year. All the results derive from continuing activities and there were no acquisitions in the year.

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

BALANCE SHEET
31 March 2006

	Note	2006 £	2005 £
CURRENT ASSETS			
Debtors	5	770,035	771,777
CREDITORS: amounts falling due within one year	6	(500)	(46,700)
NET CURRENT ASSETS		<u>769,535</u>	<u>725,077</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>769,535</u>	<u>725,077</u>
NET ASSETS		<u><u>769,535</u></u>	<u><u>725,077</u></u>
CAPITAL AND RESERVES			
Called up share capital	7	1,000	1,000
Profit and loss account	8	<u>768,535</u>	<u>724,077</u>
EQUITY SHAREHOLDERS' FUNDS	9	<u><u>769,535</u></u>	<u><u>725,077</u></u>

These financial statements were approved by the Board of Directors on 19 December 2006.

Signed on behalf of the Board of Directors



R.W. Dawson
Director

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

1. ACCOUNTING POLICIES

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

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable United Kingdom 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.

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 dispose 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.

Turnover

Turnover represents amounts receivable from the normal course of business, net of any VAT.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company did not have any employees in the year. No remuneration was paid to the directors in the year. P. Sykes, C.J. Dalzell and R.W. Dawson are also directors of Highstone Group Ltd, the ultimate parent company, and their individual remuneration is disclosed in that company's accounts, in respect of services to all group companies. It is not practicable to allocate their remuneration between their services as executives of Highstone Group and their services to other group companies.

3. PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit / (loss) on ordinary activities before taxation is stated after charging:

	2006 £	2005 £
Auditors' remuneration for audit services	<u>200</u>	<u>500</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

4. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES

	2006 £	2005 £
Current tax		
Group relief	-	(1,000)
Adjustments in respect of previous periods:		
Corporation tax	(42,854)	-
Group relief	(117)	3,142
Total current tax	<u>(42,971)</u>	<u>2,142</u>
Total deferred tax	<u>-</u>	<u>-</u>
Total tax on profit/(loss) on ordinary activities	<u>(42,971)</u>	<u>2,142</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 profit before tax is as follows:

	2006 £	2005 £
Profit/(loss) on ordinary activities before tax	<u>1,487</u>	<u>(3,724)</u>
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 30%	446	(1,117)
Effects of:		
Roundings	(446)	117
Adjustment in respect of previous periods	(42,971)	3,142
Current tax charge for year	<u>(42,971)</u>	<u>2,142</u>

5. DEBTORS

	2006 £	2005 £
Amounts owed by holding company	770,035	770,777
Amounts owed by group undertakings	-	1,000
	<u>770,035</u>	<u>771,777</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Corporation tax	-	45,700
Accruals and deferred income	500	1,000
	<u>500</u>	<u>46,700</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

7. CALLED UP SHARE CAPITAL

	2006 £	2005 £
Authorised 1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid 1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

8. RESERVES

	Profit and loss account £
At 1 April 2005	724,077
Retained profit for the year	<u>44,458</u>
At 31 March 2006	<u>768,535</u>

9. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2006 £	2005 £
Profit / (loss) for the financial year and net addition to equity shareholders' funds	44,458	(5,866)
Equity shareholders' funds, beginning of year	<u>725,077</u>	<u>730,943</u>
Equity shareholders' funds, end of year	<u>769,535</u>	<u>725,077</u>

10. ULTIMATE PARENT COMPANY

At the balance sheet date the directors regarded Highstone Group Limited, a company incorporated in England and Wales, as the ultimate parent company and the ultimate controlling party.

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.

There were no other related party transactions in the year.

11. ULTIMATE CONTROLLING PARTY

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

12. POST BALANCE SHEET EVENT

The company sold some land, with planning permission, to Persimmon Homes Limited in 2002. The contract included an Overage Agreement, whereby Highstone Estates Limited were entitled to additional consideration should the gross sales proceeds earned by Persimmon Homes Limited on the site exceed a pre-determined amount. In previous years, there has not been enough certainty or evidence to suggest that Highstone Estates Limited would be entitled to any further consideration.

During the current financial year Persimmon Homes Limited have completed a large proportion of house sales on the site, at prices in excess of the initial expectations. The result has been that the thresh-hold at which Highstone Estates Limited becomes entitled to additional consideration was reached in April 2006. As a result, the company expects to receive several amounts in the coming year as subsequent house sales are made by Persimmon Homes Limited.

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.

DETAILED PROFIT AND LOSS ACCOUNT
Year ended 31 March 2006

	2006		2005	
	£	£	£	£
Income				
Property sales	-		-	
Profit share on sale of property	-		-	
	<u>-</u>		<u>-</u>	
Cost of sales		-		-
		<u>-</u>		<u>-</u>
Gross profit		-		-
Administration expenses				
Audit, legal and professional	6,820		3,600	
Bank charges	-		28	
General expenses	(4,649)		16	
	<u>(4,649)</u>	(2,171)	<u>3,644</u>	(3,644)
Operating loss		<u>(2,171)</u>		<u>(3,644)</u>

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