

Company Registration No. 04339125

**HIGHSTONE ESTATES
(KIDDERMINSTER) LIMITED**

Report and Financial Statements

31 March 2004

DSC , Chartered Accountants



HIGHSTONE ESTATES (KIDDERMINSTER) LIMITED

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

HIGHSTONE ESTATES (KIDDERMINSTER) LIMITED

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 1PJ

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

HIGHSTONE ESTATES (KIDDERMINSTER) LIMITED

DIRECTORS' REPORT

The directors present their report on the affairs of the company, together with the audited financial statements for the year ended 31 March 2004.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is property investment.

The company suffered an operating loss in the year but the directors expect the company to be profitable in the coming year.

RESULTS AND DIVIDENDS

The profit for the year after tax amounted to £176,914 (2003: £1,071,696). The directors do not recommend payment of a dividend (2003: £nil).

DIRECTORS AND THEIR INTERESTS

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

None of the directors in office at the period end held any beneficial interest in the shares of the company at 31 March 2004 or 1 April 2003. The interests of the directors in the share capital of Highstone Group Ltd, the company's ultimate parent company, are disclosed in the directors' report of that company.

AUDITORS

Deloitte & Touche resigned as auditors on 16 February 2004. DSC were appointed to fill the casual vacancy arising.

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

8 October 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period 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 (KIDDERMINSTER) LIMITED

We have audited the financial statements of Highstone Estates (Kidderminster) Limited for the year ended 31 March 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. 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 accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 United Kingdom 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 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 of the state of the company's affairs as at 31 March 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

DSC

DSC

Chartered Accountants and Registered Auditors

8 October 2004

HIGHSTONE ESTATES (KIDDERMINSTER) LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 2004

	Note	Year ended 31 March 2004 £	68 weeks ended 31 March 2003 £
TURNOVER	2	425,350	22,864
Cost of sales		(615,993)	-
GROSS PROFIT		(190,643)	22,864
Administrative expenses		(51,443)	(3,168)
OPERATING (LOSS) /PROFIT AND (LOSS) /PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(242,086)	19,696
Tax on (loss)/profit on ordinary activities	5	419,000	1,052,000
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE YEAR	11	176,914	1,071,696

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.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 March 2004

	Note	Year ended 31 March 2004 £	68 weeks ended 31 March 2003 £
Profit for the financial year	11	176,914	1,071,696
Unrealised surplus on revaluation of fixed assets	11	10,819,087	-
Total gains and losses recognised since last annual report		10,996,001	1,071,696

The accompanying notes are an integral part of this statement of total recognised gains and losses.

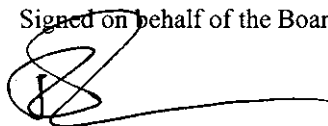
HIGHSTONE ESTATES (KIDDERMINSTER) LIMITED

BALANCE SHEET 31 March 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Tangible assets	6	41,524,842	19,101,254
CURRENT ASSETS			
Debtors	7	618,445	1,322,585
CREDITORS: amounts falling due within one year	8	(30,075,589)	(19,352,142)
NET CURRENT LIABILITIES		(29,457,144)	(18,029,557)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12,067,698</u>	<u>1,071,697</u>
CAPITAL AND RESERVES			
Called up share capital	10	1	1
Revaluation reserve	11	10,819,087	-
Profit and loss account	11	<u>1,248,610</u>	<u>1,071,696</u>
EQUITY SHAREHOLDERS' FUNDS	12	<u>12,067,698</u>	<u>1,071,697</u>

These financial statements were approved by the Board of Directors on 8 October 2004

Signed on behalf of the Board of Directors



R.W. Dawson
Director

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

HIGHSTONE ESTATES (KIDDERMINSTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

1. ACCOUNTING POLICIES

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

Basis of accounting

The accounts have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable United Kingdom accounting standards.

The company has taken advantage of the exemption from the requirement of FRS1 to present a cash flow statement, since its immediate parent company produces consolidated financial statements which are available to the public.

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, 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:

Plant and machinery	4 years
---------------------	---------

Investment properties

Investment properties are revalued annually. Any surplus or deficit on individual properties is 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.

Depreciation is not provided on investment properties. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under SSAP 19. The financial effect of the departure from statutory accounts rules is not material.

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 recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. 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 is measured on a non-discounted basis.

2. TURNOVER

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

HIGHSTONE ESTATES (KIDDERMINSTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company did not have any employees in the period. No remuneration was paid to the directors in the period. 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.

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

(Loss)/profit on ordinary activities before taxation is stated after charging:

	Year ended 31 March 2004 £	68 weeks ended 31 March 2003 £
Auditors' remuneration for audit services	2,500	2,500

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

The tax credit is as follows:

	Year ended 31 March 2004 £	68 weeks ended 31 March 2003 £
Current tax		
Corporation tax	-	-
Group relief	95,000	1,052,000
Adjustment in respect of prior years:		
Group relief	58,000	-
Total current tax	153,000	1,052,000
Deferred tax		
Origination and reversal of timing differences	325,000	-
Adjustment in respect of prior year	(59,000)	-
Total deferred tax	266,000	-
Total tax credit on loss on ordinary activities	419,000	1,052,000

HIGHSTONE ESTATES (KIDDERMINSTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

5. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES - CONTINUED

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

	Year ended 31 March 2004 £	68 weeks ended 31 March 2003 £
(Loss)/profit on ordinary activities before tax	(242,086)	19,696
Tax on (loss)/profit on ordinary activities at UK corporation tax rate of 30%	72,626	(5,909)
Effects of:		
Expenses not deductible for tax purposes	(5,000)	-
Contaminated land relief	-	1,409,000
Unprovided deferred tax movement	352,000	(351,091)
Movement in short-term timing differences	(325,000)	-
Prior period adjustments	58,000	-
Roundings	374	-
Current tax credit for year	153,000	1,052,000

6. TANGIBLE FIXED ASSETS

	Investment property £	Assets in the course of construction £	Plant and machinery £	Total £
Cost or valuation:				
At 1 April 2003	-	19,101,254	-	19,101,254
Additions	-	11,579,659	33,123	11,612,782
Transfers	30,680,913	(30,680,913)	-	-
Revaluation	10,819,087	-	-	10,819,087
At 31 March 2004	41,500,000	-	33,123	41,533,123
Depreciation				
At 1 April 2003	-	-	-	-
Charge for year	-	-	(8,281)	(8,281)
At 31 March 2004	-	-	(8,281)	(8,281)
Net book value				
At 31 March 2004	41,500,000	-	24,842	41,524,842
At 31 March 2003	-	19,101,254	-	19,101,254

HIGHSTONE ESTATES (KIDDERMINSTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

6. TANGIBLE FIXED ASSETS - CONTINUED

The investment property has been valued, on an open market basis, at 31 March 2004, by C.J. Dalzell who is a 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 above to be not materially different from the amount disclosed.

If the investment property had not been revalued it would have been stated at cost of £30,680,913 (2003: £19,101,254)

7. DEBTORS

	2004 £	2003 £
Trade debtors	116,662	-
VAT debtor	-	270,585
Amounts owed by group undertakings	155,000	1,052,000
Deferred taxation (see note 9)	266,000	-
Prepayments	80,783	-
	<u>618,445</u>	<u>1,322,585</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Other taxes and social security costs	46,768	-
Amounts owed to parent company	29,543,788	19,349,642
Accruals and deferred income	485,033	2,500
	<u>30,075,589</u>	<u>19,352,142</u>

9. DEFERRED TAX ASSET

	2004 £	2003 £
At 1 April 2003	-	-
Credit to profit and loss account	266,000	-
At 31 March 2004	<u>266,000</u>	<u>-</u>

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

	2004 £	2003 £
Capital allowances in excess of depreciation	(27,000)	-
Short term timing differences	293,000	-
	<u>266,000</u>	<u>-</u>

HIGHSTONE ESTATES (KIDDERMINSTER) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

10. CALLED UP SHARE CAPITAL

	2004 £	2003 £
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
Called up, allotted and fully paid		
Ordinary shares of £1 each	1	1

11. RESERVES

	Revaluation reserve	Profit and loss account	Total
	£	£	£
At 1 April 2003	-	1,071,696	1,071,696
Revaluation of investment property	10,819,087	-	10,819,087
Retained profit for the year	-	176,914	176,914
At 31 March 2004	10,819,087	1,248,610	12,067,697

12. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2004 £	2003 £
Profit for the financial year	176,914	1,071,696
Issue of share capital	-	1
Revaluation of investment property	10,819,087	-
Net addition to equity shareholders' funds	10,996,001	1,071,697
Equity shareholders' funds, beginning of year	1,071,697	-
Equity shareholders' funds, end of year	12,067,698	1,071,697

13. ULTIMATE PARENT COMPANY

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

Highstone Group Limited is the only group in which the results of the company are consolidated. The financial statements of that company are publically 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.

14. 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.

HIGHSTONE ESTATES (KIDDERMINSTER) LIMITED

ADDITIONAL INFORMATION

Year ended 31 March 2004

Introductory statement

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 (KIDDERMINSTER) LIMITED

DETAILED PROFIT AND LOSS ACCOUNT

Year ended 31 March 2004

	Year ended 31 March 2004 £	68 weeks ended 31 March 2003 £
Income		
Rents receivable	425,350	22,864
Cost of sales and operating expenses		
Other property expenses	(119,526)	-
Insurance	(165)	-
Marketing	(107,930)	-
Letting agents fees	(388,372)	-
Legal fees	-	(653)
Audit fees	(2,500)	(2,500)
Professional fees	(38,000)	-
Travel expenses	(2,647)	-
Depreciation	(8,281)	-
General expenses	(15)	(15)
Operating (loss)/profit and net (loss)/profit before taxation	<u>(242,086)</u>	<u>19,696</u>

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