

**HIGHSTONE ESTATES (VICAR LANE)
LIMITED**

Report and Financial Statements

31 March 2003

**Deloitte & Touche LLP
Leeds**



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 Lodge
2 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

Deloitte & Touche LLP
Chartered Accountants
Leeds

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is property investment. The company remained profitable throughout the year and the directors expect this to continue in the coming year.

On 28 August 2002, the ordinary share capital of the company was purchased from Highstone Estates (Harrogate) Limited (formerly Paul Sykes Group Limited) by Highstone Group Limited for cash consideration.

RESULTS AND DIVIDENDS

The profit for the year after tax amounted to £196,882 (10 month period ended 31 March 2002: £104,008). The directors do not recommend payment of a dividend (10 month period ended 31 March 2002 : £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
R.A. Sykes (resigned 4 December 2002)
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 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

On 1 August 2003 Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a Limited Liability Partnership incorporated under the Limited Liability Partnership Act. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provision of Section 26(5) of the Companies Act 1989. A resolution to reappoint Deloitte & Touche LLP 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

17 December 2003

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 MEMBERS OF HIGHSTONE ESTATES (VICAR LANE) LIMITED

We have audited the financial statements of Highstone Estates (Vicar Lane) Limited for the year ended 31 March 2003 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte + Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Leeds

17 December 2003

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2003

		Year ended 31 March 2003 £	10 months ended 31 March 2002 £
	Note		
TURNOVER		279,502	147,808
Operating expenses	2	<u>(4,620)</u>	<u>(3,500)</u>
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	274,882	144,308
Tax on profit on ordinary activities	5	<u>(78,000)</u>	<u>(40,300)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE PERIOD	11	<u>196,882</u>	<u>104,008</u>

There are no recognised gains or losses other than the profit for the year. No statement of total recognised gains and losses has been presented as a result. 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.

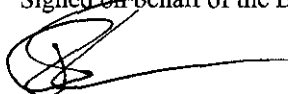
BALANCE SHEET

31 March 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Tangible assets	6	<u>4,506,714</u>	<u>4,506,714</u>
CURRENT ASSETS			
Debtors	7	28,995	15,716
CREDITORS: amounts falling due within one year	8	<u>(4,227,818)</u>	<u>(4,418,421)</u>
NET CURRENT LIABILITIES		<u>(4,198,823)</u>	<u>(4,402,705)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		307,891	104,009
PROVISIONS FOR LIABILITIES AND CHARGES	9	<u>(7,000)</u>	-
NET ASSETS		<u><u>300,891</u></u>	<u><u>104,009</u></u>
CAPITAL AND RESERVES			
Called up share capital	10	1	1
Profit and loss account	11	<u>300,890</u>	<u>104,008</u>
EQUITY SHAREHOLDERS' FUNDS	12	<u><u>300,891</u></u>	<u><u>104,009</u></u>

These financial statements were approved by the Board of Directors on 17 December 2003.

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 2003

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have been applied consistently throughout the year and preceding period with the exception of the policy for deferred tax. During the year FRS 19 "Deferred Tax" came into force, however there was no material impact on the financial statements.

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.

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.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, because these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view and that is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot be reasonably quantified, because depreciation is only one of the many factors reflected in the annual valuation and the amount which otherwise would have been shown cannot be separately identified or quantified.

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.

Turnover

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

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. OPERATING EXPENSES

	Year ended 31 March 2003 £	10 months ended 31 March 2002 £
Administrative expenses	4,620	3,500

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2003****3. 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 totalling £505,710 is, as 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. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 March 2003 £	10 months ended 31 March 2002 £
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration for audit services	2,500	3,500
Auditors' remuneration for non-audit services	750	-

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 March 2003 £	10 months ended 31 March 2002 £
Current tax		
UK corporation tax	22,000	40,300
Group relief	49,000	-
Total current tax	71,000	40,300
Deferred tax		
Origination and reversal of timing differences	4,000	-
Deferred tax charge relating to prior period	3,000	-
Total deferred tax	7,000	-
Total tax on profit on ordinary activities	78,000	40,300

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:

	Year ended 31 March 2003 £	49 weeks ended 31 March 2002 £
Profit on ordinary activities before tax	274,881	144,308
Tax on profit on ordinary activities at standard UK corporation tax rate of 30%	82,464	43,292
Effects of:		
Expenses not deductible for tax purposes	(4,000)	-
Capital allowances in excess of depreciation	(6,000)	-
Group relief FOC	-	(3,000)
Unprovided deferred tax movement	(1,464)	8
Current tax charge for year/period	71,000	40,300

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2003

6. TANGIBLE FIXED ASSETS

	Investment property £
Cost and net book value	
As at 1 April 2002 and 31 March 2003	4,506,714

The directors have revalued the properties at the year end date and consider the current open market value of the properties above to be not materially different from the amount disclosed.

7. DEBTORS

	2003 £	2002 £
Trade debtors	28,995	15,716

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Amounts owed to parent company	4,078,030	4,299,612
Amounts owed to group undertakings	49,000	-
Corporation tax	22,000	40,300
VAT	11,788	12,207
Accruals and deferred income	67,000	66,302
	<u>4,227,818</u>	<u>4,418,421</u>

9. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £
At 1 April 2002	-
Charge to profit and loss account	7,000
At 31 March 2003	<u>7,000</u>

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

	2003 £	2002 £
Capital allowances in excess of depreciation	7,000	-

10. CALLED UP SHARE CAPITAL

	2003 £	2002 £
Authorised		
1,000 (2002: 1,000) Ordinary shares of £1 each	1,000	1,000
Called up, allotted and fully paid		
1 (2002: 1) Ordinary share of £1 each	1	1

All share capital was issued on incorporation.



NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2003

11. RESERVES

	Profit and loss account £
At 1 April 2002	104,008
Retained profit for the year	196,882
	<hr/>
At 31 March 2003	300,890
	<hr/>

12. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the financial year/period	196,882	104,008
Issue of share capital	-	1
	<hr/>	<hr/>
Net addition to equity shareholders' funds	196,882	104,009
Equity shareholders' funds, beginning of year	104,009	-
	<hr/>	<hr/>
Equity shareholders' funds, end of year	300,891	104,009
	<hr/>	<hr/>

13. ULTIMATE PARENT COMPANY

At 1 April 2002, the directors regarded Paul Sykes Group Limited as the immediate parent company.

On 10 April 2002, Mr P. Sykes transferred his 100% shareholding in Paul Sykes Group Limited to Paul Sykes Holdings Limited, a company also incorporated in England and Wales, and of which Mr P. Sykes is also a director. Consequently, the Directors now regard this company as the ultimate parent company. Paul Sykes Holdings Limited changed its name to Highstone Group Limited on 9 May 2002.

On 28 August 2002, the entire share capital of the company was acquired by Highstone Group Limited and that company is now the head of the only group in which the results of the company are consolidated.

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.

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.