

**HIGHSTONE ESTATES (VICAR LANE)
LIMITED**

Report and Financial Statements

31 March 2004

DSC, Chartered Accountants



HIGHSTONE ESTATES (VICAR LANE) LIMITED

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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

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2004

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.

RESULTS AND DIVIDENDS

The profit for the year after tax amounted to £188,822 (2003: £196,882). The directors do not recommend payment of a dividend (2003: £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 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 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 (VICAR LANE) LIMITED

We have audited the financial statements of Highstone Estates (Vicar Lane) Limited for the year ended 31 March 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 13. 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 profit 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 (VICAR LANE) LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 March 2004

	Note	2004 £	2003 £
TURNOVER		281,331	279,502
Administrative expenses		(15,586)	(4,620)
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	265,745	274,882
Tax on profit on ordinary activities	4	(76,923)	(78,000)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE YEAR	10	188,822	196,882

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.

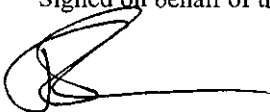
HIGHSTONE ESTATES (VICAR LANE) LIMITED

BALANCE SHEET 31 March 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Tangible assets	5	<u>4,506,714</u>	<u>4,506,714</u>
CURRENT ASSETS			
Debtors	6	28,149	28,995
CREDITORS: amounts falling due within one year	7	<u>(4,032,150)</u>	<u>(4,227,818)</u>
NET CURRENT LIABILITIES		<u>(4,004,001)</u>	<u>(4,198,823)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		502,713	307,891
PROVISIONS FOR LIABILITIES AND CHARGES	8	<u>(13,000)</u>	<u>(7,000)</u>
NET ASSETS		<u><u>489,713</u></u>	<u><u>300,891</u></u>
CAPITAL AND RESERVES			
Called up share capital	9	1	1
Profit and loss account	10	<u>489,712</u>	<u>300,890</u>
EQUITY SHAREHOLDERS' FUNDS	11	<u><u>489,713</u></u>	<u><u>300,891</u></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.

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 year and 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.

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 it 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 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.

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.

HIGHSTONE ESTATES (VICAR LANE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2004	2003
	£	£
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration for audit services	1,000	2,500
Auditors' remuneration for non-audit services	-	750
	<u> </u>	<u> </u>

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004	2003
	£	£
Current tax		
UK corporation tax	82,000	22,000
Group relief	-	49,000
Adjustments in respect of prior years:		
Corporation tax	(4,077)	-
Group relief	(7,000)	-
	<u> </u>	<u> </u>
Total current tax	70,923	71,000
Deferred tax		
Origination and reversal of timing differences	2,000	4,000
Deferred tax charge relating to prior period	4,000	3,000
	<u> </u>	<u> </u>
Total deferred tax	6,000	7,000
	<u> </u>	<u> </u>
Total tax on profit on ordinary activities	<u>76,923</u>	<u>78,000</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:

	2004	2003
	£	£
Profit on ordinary activities before tax	<u>265,745</u>	<u>274,881</u>
Tax on profit on ordinary activities at UK corporation tax rate of 30%	79,724	82,464
Effects of:		
Expenses not deductible for tax purposes	4,000	-
Capital allowances in excess of depreciation	(2,000)	(4,000)
Group relief FOC	-	(6,000)
Prior year adjustment	(11,077)	-
Roundings	276	(1,464)
	<u> </u>	<u> </u>
Current tax charge for theyear	<u>70,923</u>	<u>71,000</u>

HIGHSTONE ESTATES (VICAR LANE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

5. TANGIBLE FIXED ASSETS

	Investment property £
Cost and net book value	
As at 1 April 2003 and 31 March 2004	4,506,714

The value of the investment property at 31 March 2004 has been considered by C.J. Dalzell who is a director of the company and a member of the Royal Institute of Chartered Surveyors. He regards the current open market value of the property above to be not materially different from the amount disclosed.

6. DEBTORS

	2004 £	2003 £
Trade debtors	15,716	28,995
Amounts owed by group undertakings	7,000	-
Prepayments	5,433	-
	<u>28,149</u>	<u>28,995</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Amounts owed to parent company	3,877,872	4,078,030
Amounts owed to group undertakings	-	49,000
Corporation tax	77,000	22,000
Other taxes and social security costs	10,928	11,788
Accruals and deferred income	66,350	67,000
	<u>4,032,150</u>	<u>4,227,818</u>

8. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £
At 1 April 2003	7,000
Charge to profit and loss account	6,000
At 31 March 2004	<u>13,000</u>

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

	2004 £	2003 £
Capital allowances in excess of depreciation	<u>13,000</u>	<u>7,000</u>

HIGHSTONE ESTATES (VICAR LANE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

9. CALLED UP SHARE CAPITAL

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

10. RESERVES

	Profit and loss account £
At 1 April 2003	300,890
Retained profit for the year	188,822
At 31 March 2004	489,712

11. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2004 £	2003 £
Profit for the financial year	188,822	196,882
Net addition to equity shareholders' funds	188,822	196,882
Equity shareholders' funds, beginning of year	300,891	104,009
Equity shareholders' funds, end of year	489,713	300,891

12. ULTIMATE PARENT COMPANY

At the balance sheet date the directors regarded Highstone Group Ltd, 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 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.

13. 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.

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 (VICAR LANE) LIMITED

DETAILED PROFIT AND LOSS ACCOUNT Year ended 31 March 2004

	2004 £	2003 £
Income		
Rents receivable	281,331	279,502
Administration expenses		
Audit fees	(1,000)	(2,500)
Legal fees	(5,056)	-
Property repairs and maintenance	(8,200)	-
Professional fees	(1,300)	(1,838)
Insurance	(23)	(267)
General expenses	(15)	(15)
Interest received on corporation tax payments on account	8	-
Operating profit and net profit before taxation	<u>265,745</u>	<u>274,882</u>

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