

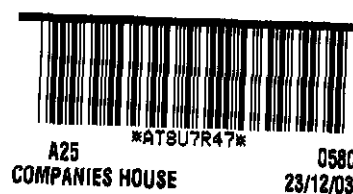
**HIGHSTONE GROUP LIMITED**

**(formerly Inhoco 2460 Limited)**

**Report and Financial Statements**

**31 March 2003**

**Deloitte & Touche LLP  
Leeds**



**REPORT AND FINANCIAL STATEMENTS 2003**

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**REPORT AND FINANCIAL STATEMENTS 2003****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 first report on the affairs of the company, together with the audited financial statements for the period ended 31 March 2003.

**PRINCIPAL ACTIVITY AND BUSINESS REVIEW (GROUP RECONSTRUCTION)**

The company was incorporated as Inhoco 2460 Limited on 28 November 2001 and changed its name to Paul Sykes Holdings Limited on 17 January 2002. It commenced trading on 10 April 2002 and was renamed Highstone Group Limited on 9 May 2002.

On 10 April 2002, as part of a group reconstruction, the company acquired the entire share capital of Highstone Estates (Harrogate) Limited (formerly Paul Sykes Group Limited) in return for consideration of £20,000 in the form of shares.

Following the acquisition the company acquired the subsidiary companies of Highstone Estates (Harrogate) Limited for cash, at a value equivalent to the net assets of each company at the date of purchase.

During the year certain properties held by Highstone Estates (Harrogate) Limited were transferred to newly incorporated fellow subsidiary companies, in settlement of intercompany debt.

The subsidiary undertakings held by the company are detailed in note 9 to the financial statements.

The financial statements have been prepared under merger accounting principles as described more fully in the statement of accounting policies note.

The principal activity of the group is property investment and Highstone Group Limited is the ultimate holding company. The company remained profitable throughout the period and the directors expect this to continue in the coming year.

**RESULTS AND DIVIDENDS**

The group's profit for the period after tax amounted to £5,378,000 (2002: £9,657,000). The directors do not recommend payment of a dividend.

**DIRECTORS AND THEIR INTERESTS**

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

P. Sykes	(appointed 10 January 2002)
R.W. Dawson	(appointed 10 January 2002)
R.A. Sykes	(appointed 10 January 2002 and resigned 4 December 2002)
C.J. Dalzell	(appointed 10 January 2002)

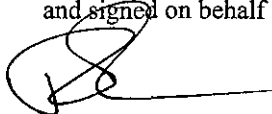
Mr P Sykes is the sole shareholder of the company as described in note 21. There are no other interests that are required to be disclosed under Section 234 of the Companies Act 1985.

**AUDITORS**

During the period Deloitte & Touche were appointed as the company's first 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 for the reappointment of 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

22 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 and the group as at the end of the financial year and of the profit or loss of the group 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 MEMBERS OF HIGHSTONE GROUP LIMITED (formerly Inhoco 2460 Limited)**

We have audited the financial statements of Highstone Group Limited for the period ended 31 March 2003, which comprise the profit and loss accounts, the balance sheets, the consolidated cash flow statement and the related notes 1 to 22. 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 and other members of the group is not disclosed.

We read the directors' report for the above period 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 circumstances of the company and the group, 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 affairs of the company and the group as at 31 March 2003 and of the profit of the company and group for the period 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

22 December 2003

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 2003**

	Note	2003 £'000	2002 £'000
<b>TURNOVER</b>	2	22,922	7,741
Cost of sales		(15,386)	(1,665)
<b>Gross profit</b>		7,536	6,076
Other expenses	3	(1,027)	(1,803)
<b>OPERATING PROFIT</b>		6,509	4,273
Finance charges (net)	5	66	9,614
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6	6,575	13,887
Tax on profit on ordinary activities	7	(1,197)	(4,230)
<b>Retained profit for the financial year</b>	15	5,378	9,657

The above results arise from continuing operations in both years.

There are no recognised gains or losses in either year other than the profit for that year.

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

**COMPANY PROFIT AND LOSS ACCOUNT**  
**Period ended 31 March 2003**

	Note	2003 £'000
Operating expenses	3	(12)
<b>OPERATING LOSS</b>		(12)
Finance charges (net)	5	29,200
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6	29,188
Tax on profit on ordinary activities	7	(3)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT FOR THE PERIOD</b>	15	29,185

The above results arise from continuing operations.

There are no recognised gains or losses other than the profit for the period.

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



**CONSOLIDATED BALANCE SHEET**  
**31 March 2003**

	Note	2003 £'000	2002 £'000
<b>FIXED ASSETS</b>			
Tangible assets	8	139,061	117,981
<b>CURRENT ASSETS</b>			
Stocks	10	336	8,158
Debtors	11	13,476	1,174
Cash at bank and in hand		677	1,188
		14,489	10,520
<b>CREDITORS: amounts falling due within one year</b>	12	(64,317)	(45,472)
<b>NET CURRENT LIABILITIES</b>		(49,828)	(34,952)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		89,233	83,029
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13	(718)	-
<b>NET ASSETS</b>		88,515	83,029
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	20	20
Merger reserve	15	84	84
Revaluation reserve	15	250	142
Profit and loss account	15	88,161	82,783
<b>EQUITY SHAREHOLDERS' FUNDS</b>	16	88,515	83,029

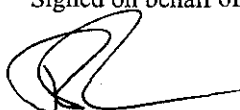
The accompanying notes are an integral part of this balance sheet.

**COMPANY BALANCE SHEET**  
**31 March 2003**

	Note	2003 £'000
<b>FIXED ASSETS</b>		
Investments	9	31,855
<b>CURRENT ASSETS</b>		
Debtors	11	98,154
Cash at bank		655
		98,809
<b>CREDITORS: amounts falling due within one year</b>	12	(101,459)
<b>NET CURRENT LIABILITIES</b>		(2,650)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		29,205
<b>NET ASSETS</b>		29,205
<b>CAPITAL AND RESERVES</b>		
Called up share capital	14	20
Profit and loss account	15	29,185
<b>EQUITY SHAREHOLDERS' FUNDS</b>		29,205

These financial statements were approved by the Board of Directors on 21 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.

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 March 2003**

	Note	2003 £'000	2002 £'000
<b>Net cash inflow from operating activities</b>	17	<u>3,041</u>	<u>179</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		69	9,624
Interest paid		<u>(3)</u>	<u>(10)</u>
<b>Net cash inflow from returns on investments and servicing of finance</b>		<u>66</u>	<u>9,614</u>
<b>Taxation</b>		<u>(2,886)</u>	<u>(6,237)</u>
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(22,068)	(90,517)
Proceeds from sale of tangible fixed assets		<u>1,057</u>	<u>-</u>
<b>Net cash outflow from capital expenditure and financial investment</b>		<u>(21,011)</u>	<u>(90,517)</u>
<b>Net cash inflow before financing</b>		<u>(20,790)</u>	<u>(86,961)</u>
<b>Financing</b>			
Repayment of borrowings		-	(206,454)
New borrowings		<u>20,279</u>	<u>-</u>
<b>Net cash outflow from financing</b>		<u>20,279</u>	<u>(206,454)</u>
<b>Decrease in cash in the year</b>	18,19	<u>(511)</u>	<u>(293,415)</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2003****1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the 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 are prepared under the historical cost convention, and in accordance with the applicable United Kingdom accounting standards.

**Basis of consolidation**

As explained in the directors' report, the company acquired the share capital of Highstone Estates (Harrogate) Limited from the common controlling party, Mr P. Sykes during the year, for consideration comprising share capital.

The directors consider the transaction to be a group reorganisation as defined in FRS 6 "Acquisitions and mergers" since the transaction meets the criteria in FRS 6 to adopt merger accounting. As the combination of Highstone Estates (Harrogate) and Highstone Group is accounted for as a merger, the financial statements of Highstone Group Limited represent the combined financial statements of the two companies on a historical basis for all periods present, as if the merger had always existed.

The group reorganisation meets the criteria of Section 131 of the Companies Act 1985 "Merger relief". Under Section 131, no premium is recorded in relation to the share issued to acquire Highstone Estates (Harrogate) Limited.

The group financial statements consolidate the financial statements of Highstone Group Limited and all its subsidiary undertakings drawn up to 31 March 2003.

Since it is not required by the Companies Act 1985 to produce group accounts because Highstone Group Limited meets the definition of a small and medium size group, the company is not entitled to the exemption in Section 230, accordingly a profit and loss account for the company is also presented.

**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 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.

**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 and freehold land 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:

Office equipment, fixtures and fittings                      4 – 10 years

Land and buildings not held as investment properties are not depreciated. It is the company's practice to maintain the properties in a continual state of sound repair and to extend and make improvements thereto from time to time. Having regard to this, including their long useful life and high residual value, it is the opinion of the directors that depreciation of any such property as required by the Companies Act 1985 and standard accounting practice would not be material.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2003**

**1. ACCOUNTING POLICIES (continued)**

**Investments**

Fixed asset investments are shown at cost less any provision for impairment.

**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 is measured on a non-discounted basis.

**Work in progress**

Work in progress comprises assets in the course of construction intended for ultimate resale.

**Turnover**

Turnover represents amounts receivable from rentals and service charges in the normal course of business, net of any VAT.

**2. SEGMENT INFORMATION**

Contributions to turnover, derived from the group's principal activity, by geographical area were:

	<b>Group</b>		<b>Company</b>
	<b>2003</b>	<b>2002</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
United Kingdom	22,922	7,741	-

**3. OPERATING EXPENSES**

	<b>Group</b>		<b>Company</b>
	<b>2003</b>	<b>2002</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Group</b>			
Administrative expenses	1,066	1,839	12
Profit on disposal of fixed assets	(147)	(36)	-
Revaluation reserve charge	108	-	-
	<u>1,027</u>	<u>1,803</u>	<u>12</u>

**4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

**Directors' remuneration - Group**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
<b>The remuneration of the directors was as follows:</b>		
Emoluments	<u>454</u>	<u>241</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2003**

**4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)**

*Highest paid director*

The above amounts for remuneration include the following in respect of the highest paid director:

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Emoluments	224	137

**Staff costs**

**Group**

The average monthly number of employees (including executive directors) was:

	<b>2003</b>	<b>2002</b>
	<b>Number</b>	<b>Number</b>
Management and administration	6	6

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Their aggregate remuneration comprised:		
Wages and salaries	456	258
Social security costs	49	28
	505	286

**Company**

The average monthly number of employees (including executive directors) was:

	<b>2003</b>
	<b>Number</b>
Management and administration	3

Their costs were borne by other group companies.

**5. FINANCE CHARGES (NET)**

	<b>Group</b>	<b>Company</b>
	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest payable	(3)	(10)
Interest receivable and similar income	69	9,624
	66	9,614

*Interest receivable and similar charges*

	<b>Group</b>	<b>Company</b>
	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest	69	9,624
Dividends from subsidiaries	-	-
	69	9,624

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2003**
**6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

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

	<b>Group</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Depreciation	73	64	-	-
Profit on disposal of fixed assets	(34)	(402)	-	-
Auditors' remuneration for audit services	25	29	2	-

Amounts payable to Deloitte &amp; Touche and their associates by the group and its UK subsidiary undertakings in respect of non-audit services were £33,000 (2002: £53,000), (company: £nil (2002: £nil)).

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<b>Group</b>		<b>Company</b>
	<b>2003</b>	<b>2002</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
The tax charge comprises:			
<b>Current tax</b>			
UK corporation tax	463	4,267	1
Group relief	-	-	2
Adjustments in respect of prior years	16	(37)	-
<b>Total current tax</b>	<b>479</b>	<b>4,230</b>	<b>3</b>
<b>Deferred tax</b>			
Origination and reversal of timing differences	445	-	-
Adjustments in respect of prior years	273	-	-
<b>Total deferred tax</b>	<b>718</b>	<b>-</b>	<b>-</b>
<b>Total tax on profit on ordinary activities</b>	<b>1,197</b>	<b>4,230</b>	<b>3</b>

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.

	<b>Group</b>		<b>Company</b>
	<b>2003</b>	<b>2002</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Profit on ordinary activities before tax</b>	<b>6,575</b>	<b>13,887</b>	<b>29,188</b>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2002 - 30%)	1,973	4,166	8,756
Effects of:			
Expenses not deductible for tax purposes	87	361	1
Capital allowances in excess of depreciation	(503)	-	-
Profit on disposal of investments	(30)	-	-
Land remediation relief	(1,409)	-	-
Unprovided deferred tax movement	339	(259)	-
Sundry	6	7	1
Accounting profit in excess of depreciation	-	(8)	-
Adjustments to tax charge in respect of previous periods	16	(37)	-
Non-taxable intra-group income	-	-	(8,755)
<b>Current tax charge for period</b>	<b>479</b>	<b>4,230</b>	<b>3</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2003**
**8. TANGIBLE FIXED ASSETS**

Group	Land and buildings		Office equipment, fixtures and fittings	Assets under construction	Motor Vehicles	Total
	Investment properties					
	Freehold	Leasehold	Freehold			
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
At 1 April 2002	112,570	4,100	1,106	407	-	118,233
Additions	381	-	-	62	21,574	22,068
Disposals	(875)	-	-	(8)	-	(933)
At 31 March 2003	112,076	4,100	1,106	461	21,574	139,368
<b>Depreciation</b>						
At 1 April 2002	-	-	-	234	-	252
Charge	-	-	-	60	-	73
Disposals	-	-	-	-	(18)	(18)
At 31 March 2003	-	-	-	294	13	307
<b>Net book value</b>						
At 31 March 2003	112,076	4,100	1,106	167	38	139,061
At 1 April 2002	112,570	4,100	1,106	173	32	117,981

Investment properties were valued, on an open market existing use basis, at 31 March 2003, by C J Dalzell who is a director of the company and a member of the Royal Institute of Chartered Surveyors. Such properties are not depreciated.

If the freehold and leasehold land and buildings had not been revalued they would have been stated at a cost of £107,850,000 (2002: £116,744,000).

**9. FIXED ASSET INVESTMENTS**
*Subsidiary undertakings*

	2003
	£'000
<b>Cost and net book value</b>	
At 28 March 2001	-
Transfer from other group undertakings	31,855
At 31 March 2003	31,855

All subsidiary undertaking are wholly owned and their principal activities are property management.

	Country of registration
Highstone Estates (Harrogate) Limited (formerly Paul Sykes Group Limited)	England
Highstone Estates Limited	England
Victoria Quarter (Leeds) Limited	England
Highstone Estates (Manchester) Limited	England
Highstone Estates (Vicar Lane) Limited	England
Highstone Estates (Kidderminster) Limited	England
Highstone Estates (York) Limited	England
Highstone Estates (Central Park North) Limited	England
Highstone Estates (Central Park South) Limited	England
Highstone Estates (Park Place) Limited	England
Highstone Estates (City Square) Limited	England



**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2003**
**10. STOCKS**

	<b>Group</b>		<b>Company</b>
	<b>2003</b>	<b>2002</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Work-in-progress	336	8,158	-

**11. DEBTORS**

	<b>Group</b>		<b>Company</b>
	<b>2003</b>	<b>2002</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade debtors	9,797	713	-
Amounts due from group undertakings	-	-	97,505
VAT recoverable	158	-	-
Corporation tax recoverable	105	-	649
Other debtors	2,773	26	-
Service charges recoverable	228	272	-
Prepayments	415	163	-
	<u>13,476</u>	<u>1,174</u>	<u>98,154</u>

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>
	<b>2003</b>	<b>2002</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts owed to group undertakings	-	-	45,426
Corporation tax payable	-	2,302	-
Other taxation and social security	-	273	-
Other creditors	69	77	-
Unsecured loan	61,021	40,742	56,030
Accruals and deferred income	3,227	2,078	3
	<u>64,317</u>	<u>45,472</u>	<u>101,459</u>

**13. PROVISION FOR LIABILITIES AND CHARGES**
*Deferred taxation*

	<b>Group</b>	<b>Company</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April 2002	-	-
Provided in the year	<u>718</u>	<u>-</u>
At 31 March 2003	<u>718</u>	<u>-</u>

The group deferred tax is provided as follows:

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Accelerated capital allowances	<u>718</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2003**

**14. CALLED UP SHARE CAPITAL**

	2003 £'000	2002 £'000
<b>Authorised</b>		
20,000 Ordinary shares of £1 each	20	20
<b>Called up, allotted and fully paid</b>		
20,000 Ordinary shares of £1 each	20	20

**15. RESERVES**

<b>Group</b>	<b>Revaluation reserve £'000</b>	<b>Merger reserve £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
At 1 April 2002	142	84	82,783	83,009
Revaluation reserve adjustment	108	-	-	108
Retained profit for the year	-	-	5,378	5,378
At 31 March 2003	250	84	88,161	88,495

<b>Company</b>	<b>Profit and loss account £'000</b>
At 1 November 2001	-
Retained profit for the period	29,185
At 31 March 2003	29,185

**16. RECONCILIATION OF MOVEMENTS IN GROUP EQUITY SHAREHOLDERS FUNDS**

	2003 £'000	2002 £'000
Profit for the financial year	5,378	9,657
Revaluation reserve adjustment	108	-
Net addition to group equity shareholders' funds	5,486	9,657
Opening group equity shareholders' funds	83,029	73,372
Closing group equity shareholders' funds	88,515	83,029

**17. FINANCIAL COMMITMENTS**

The company had no capital commitments (2002: £nil).

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2003**
**18. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2003 £'000	2002 £'000
Operating profit	6,509	4,273
Depreciation	73	71
Profit on sale of tangible fixed assets	(34)	-
Decrease/(increase) in stock	7,822	(8,158)
(Increase)/decrease in debtors	(12,197)	1,573
Increase in creditors	868	2,420
	<u>3,041</u>	<u>179</u>
Net cash inflow from operating activities	<u>3,041</u>	<u>179</u>

**19. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	2003 £'000	2002 £'000
Decrease in cash in the year	(511)	(293,415)
Cash (inflow)/outflow from increase in debt	(20,279)	206,454
	<u>(20,790)</u>	<u>(86,961)</u>
Movement in net debt in the year	(20,790)	(86,961)
Net debt at beginning of year	(39,554)	47,407
Net debt at end of year	<u>(60,344)</u>	<u>(39,554)</u>

**20. ANALYSIS OF CHANGES IN NET DEBT**

	At 31 March 2002 £'000	Cash flows £'000	At 31 March 2003 £'000
Cash in hand, at bank	1,188	(511)	677
Unsecured loan	(40,742)	(20,279)	(61,021)
	<u>(39,554)</u>	<u>(20,790)</u>	<u>(60,344)</u>

**21. RELATED PARTY TRANSACTIONS**

Included within creditors falling due within one year is a non interest bearing loan of £61,021,000 (2002: £40,742,000) owed to Mr P. Sykes, a director of the company. This loan is repayable on demand.

Included within debtors is a non-interest bearing loan of £2,773,000 (2002: £nil) due from Citywall Corporation Limited. Mr R.A. Sykes, who was a director of the company during the period, is also a director of Citywall Corporation Limited.

The company has taken advantage of the exemptions granted in Financial Reporting Standard No. 8 not to disclose certain related party transactions with other group companies. There are no other related party transactions requiring disclosure.

**22. ULTIMATE CONTROLLING PARTY**

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