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Company Registration No. 04330671

HIGHSTONE GROUP LIMITED

Report and Financial Statements

31 March 2006



DSC, Chartered Accountants



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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 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 report on the affairs of the company, together with the audited financial statements for the year ended 31 March 2006.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the group is property investment and Highstone Group Limited is the ultimate holding company. The group remained profitable throughout the year and the company suffered a loss. Information relating to the coming year is shown in note 21 of the financial statements. The effect of this will be that the group's turnover will fall although it will remain profitable.

RESULTS AND DIVIDENDS

The group's profit for the year after tax amounted to £5,800,000 (2005: £6,369,000). The directors do not recommend payment of a dividend (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
R.W. Dawson
C.J. Dalzell

Mr P Sykes is the sole shareholder of the company as described in note 20. There are no other interests that are required to be disclosed under Section 234 of the Companies Act 1985.

POLITICAL AND CHARITABLE EXPENDITURE

General charitable contributions to the value of £165,666 were made by the company during the year.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in note 21 of the financial statements.


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 for the reappointment of 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 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 SHAREHOLDERS OF HIGHSTONE GROUP LIMITED

We have audited the financial statements of Highstone Group Limited for the year ended 31 March 2006 which comprise the profit and loss accounts, the balance sheets, the consolidated cash flow statement and the related notes 1 to 21. 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 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 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 affairs of the company and the group as at 31 March 2006 and of the loss of the company and the profit of the group for the year then ended and
- have been properly prepared in accordance with the Companies Act 1985.

DSC

DSC

Chartered Accountants and Registered Auditors

19 December 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 March 2006

	Note	2006 £'000	2005 £'000
TURNOVER	2	14,428	15,161
Cost of sales		(4,853)	(4,036)
Gross profit		9,575	11,125
Operating expenses	3	(1,326)	(1,992)
OPERATING PROFIT		8,249	9,133
Finance charges (net)	5	(57)	(82)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	8,192	9,051
Tax on profit on ordinary activities	7	(2,392)	(2,682)
RETAINED PROFIT FOR THE FINANCIAL YEAR	14	5,800	6,369

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 March 2006

	Note	2006 £'000	2005 £'000
Profit for the financial year	14	5,800	6,369
Unrealised surplus on revaluations of fixed assets	14	103,076	980
Total gains and losses recognised since last annual report		108,876	7,349

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

COMPANY PROFIT AND LOSS ACCOUNT
Year ended 31 March 2006

	Note	2006 £'000	2005 £'000
Operating expenses	3	(195)	(1,069)
OPERATING LOSS		(195)	(1,069)
Finance charges (net)	5	(79)	(115)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(274)	(1,184)
Tax on loss on ordinary activities	7	95	342
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED LOSS FOR THE YEAR	14	(179)	(842)

The above results arise from continuing operations.

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

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

CONSOLIDATED BALANCE SHEET
31 March 2006

	Note	2006 £'000	2005 £'000
FIXED ASSETS			
Tangible assets	8	297,884	197,718
CURRENT ASSETS			
Debtors	10	1,886	3,000
Cash at bank and in hand		3	3
		1,889	3,003
CREDITORS: amounts falling due within one year	11	(44,783)	(54,858)
NET CURRENT LIABILITIES		(42,894)	(51,855)
TOTAL ASSETS LESS CURRENT LIABILITIES		254,990	145,863
PROVISIONS FOR LIABILITIES AND CHARGES	12	(1,986)	(1,735)
NET ASSETS		253,004	144,128
CAPITAL AND RESERVES			
Called up share capital	13	20	20
Merger reserve	14	84	84
Revaluation reserve	14	145,495	43,399
Profit and loss account	14	107,405	100,625
EQUITY SHAREHOLDERS' FUNDS	15	253,004	144,128

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

COMPANY BALANCE SHEET
31 March 2006

	Note	2006 £'000	2005 £'000
FIXED ASSETS			
Investments	9	31,855	31,855
CURRENT ASSETS			
Debtors	10	98,954	98,022
Cash at bank		2	2
		98,956	98,024
CREDITORS: amounts falling due within one year	11	(102,706)	(101,595)
NET CURRENT LIABILITIES		(3,750)	(3,571)
TOTAL ASSETS LESS CURRENT LIABILITIES		28,105	28,284
NET ASSETS		28,105	28,284
CAPITAL AND RESERVES			
Called up share capital	13	20	20
Profit and loss account	14	28,085	28,264
EQUITY SHAREHOLDERS' FUNDS		28,105	28,284

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.

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2006

	Note	2006 £'000	2005 £'000
Net cash inflow from operating activities	16	7,334	10,465
Returns on investments and servicing of finance			
Interest received		47	51
Interest paid		(104)	(133)
Net cash outflow from returns on investments and servicing of finance		(57)	(82)
Taxation		(2,548)	(1,954)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(5,636)	(2,430)
Proceeds from sale of tangible fixed assets		8,114	10
Net cash inflow/(outflow) from capital expenditure and financial investment		2,478	(2,420)
Net cash inflow before financing		7,207	6,009
Financing			
Repayment of borrowings		(5,460)	(6,154)
Net cash outflow from financing		(5,460)	(6,154)
Increase/(decrease) in cash in the year	17,18	1,747	(145)

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2006****1. ACCOUNTING POLICIES**

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

Basis of accounting

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with the applicable United Kingdom accounting standards.

Basis of consolidation

The group financial statements consolidate the financial statements of Highstone Group Limited and all its subsidiary undertakings drawn up to 31 March 2006.

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.

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
Motor vehicles	4 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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2006****1. ACCOUNTING POLICIES (continued)****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:

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
United Kingdom	<u>14,428</u>	<u>15,161</u>	<u>-</u>	<u>-</u>

3. OPERATING EXPENSES

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Administrative expenses	<u>1,326</u>	<u>1,992</u>	<u>195</u>	<u>1,069</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**Directors' remuneration - Group**

	2006	2005
	£'000	£'000
The remuneration of the directors was as follows:		
Emoluments	<u>391</u>	<u>385</u>

Highest paid director

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

	2006	2005
	£'000	£'000
Emoluments	<u>278</u>	<u>276</u>

Staff costs**Group**

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

	2006	2005
	Number	Number
Management and administration	<u>3</u>	<u>3</u>

Their aggregate remuneration comprised:

	2006	2005
	£'000	£'000
Wages and salaries	383	380
Social security costs	<u>51</u>	<u>47</u>
	<u>434</u>	<u>427</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

Company

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

	2006 Number	2005 Number
Management and administration	3	3

Their costs were borne by other group companies.

5. FINANCE CHARGES (NET)

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Bank interest payable	(104)	(133)	(104)	(129)
Interest receivable and similar income	47	51	25	14
	<u>(57)</u>	<u>(82)</u>	<u>(79)</u>	<u>(115)</u>

Interest receivable and similar income

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Bank interest	17	-	17	-
Interest on corporation tax payments on account	30	51	8	14
	<u>47</u>	<u>51</u>	<u>25</u>	<u>14</u>

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

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

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Depreciation	353	86	-	-
Loss on disposal of fixed assets	79	4	-	-
Auditors' remuneration for audit services	23	21	1	1

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

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

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
The tax charge / (credit) comprises:				
Current tax				
UK corporation tax	2,281	2,221	-	-
Group relief	-	-	(82)	(342)
Adjustments in respect of prior years:				
Corporation tax	(140)	(49)	-	-
Group relief	-	-	(13)	-
Total current tax	<u>2,141</u>	<u>2,172</u>	<u>(95)</u>	<u>(342)</u>
Deferred tax				
Origination and reversal of timing differences	357	614	-	-
Adjustments in respect of prior years	(106)	(104)	-	-
Total deferred tax	<u>251</u>	<u>510</u>	<u>-</u>	<u>-</u>
Total tax on profit/(loss) on ordinary activities	<u>2,392</u>	<u>2,682</u>	<u>(95)</u>	<u>(342)</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.

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Profit / (loss) on ordinary activities before tax	<u>8,192</u>	<u>9,051</u>	<u>(274)</u>	<u>(1,184)</u>
Tax on profit on ordinary activities at UK corporation tax rate of 30%	2,458	2,715	(82)	(355)
Effects of:				
Expenses not deductible for tax purposes	90	132	-	14
Capital allowances in excess of depreciation	(357)	(614)	-	-
Taxable gain on disposal of property	98	-	-	-
Rate differences	(9)	(12)	-	-
Roundings	2	-	-	(1)
Adjustments to tax charge in respect of previous periods	(141)	(49)	(13)	-
Current tax charge / (credit) for the year	<u>2,141</u>	<u>2,172</u>	<u>(95)</u>	<u>(342)</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

8. TANGIBLE FIXED ASSETS

Group	Land and buildings		Office equipment, fixtures and fittings		Motor Vehicles	Total
	Investment properties					
	Freehold £'000	Leasehold £'000	Freehold £'000	fittings £'000	£'000	£'000
Cost or valuation						
At 1 April 2005	191,600	4,900	807	559	38	197,904
Additions	2,909	-	-	2,674	53	5,636
Disposals	(8,180)	-	-	(2)	(38)	(8,220)
Revaluation in year	100,533	1,850	693	-	-	103,076
At 31 March 2006	286,862	6,750	1,500	3,231	53	298,396
Depreciation						
At 1 April 2005	-	-	-	161	25	186
Charge	-	-	-	340	13	353
Disposals	-	-	-	(2)	(25)	(27)
At 31 March 2006	-	-	-	499	13	512
Net book value						
At 31 March 2006	286,862	6,750	1,500	2,732	40	297,884
At 31 March 2005	191,600	4,900	807	398	13	197,718

Investment properties were valued, on an open market existing use basis, at 31 March 2006, 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 values of the properties to be not materially different from the amounts disclosed.

If the freehold and leasehold investment properties had not been revalued they would have been stated at a cost of £149,617,000 (2005: £153,101,000).

9. FIXED ASSET INVESTMENTS

Subsidiary undertakings

	2006 £'000	2005 £'000
Cost and net book value		
At 1 April 2005 and at 31 March 2006	31,855	31,855

All subsidiary undertakings are wholly owned and their principal activities are property investment.

	Country of registration
Highstone Estates (Harrogate) Limited	England
Highstone Estates Limited	England
Highstone Estates (Leeds) Limited (name changed from Victoria Quarter (Leeds) Ltd on 18 July 2006)	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 2006

10. DEBTORS

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Trade debtors	1,240	1,928	-	-
Amounts due from group undertakings	-	-	96,960	96,466
Corporation tax recoverable	-	-	1,994	1,556
Service charges recoverable	239	463	-	-
Prepayments and accrued income	407	609	-	-
	<u>1,886</u>	<u>3,000</u>	<u>98,954</u>	<u>98,022</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Bank overdraft	1,122	2,869	1,083	2,811
Amounts owed to group undertakings	-	-	62,545	58,455
Corporation tax payable	289	718	-	-
Other taxation and social security	352	499	-	-
Other creditors	92	164	-	69
Unsecured loan	39,329	44,789	39,068	40,244
Accruals and deferred income	3,599	5,819	10	16
	<u>44,783</u>	<u>54,858</u>	<u>102,706</u>	<u>101,595</u>

12. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation

	Group	Company
	£'000	£'000
At 1 April 2005	1,735	-
Provided in the year	251	-
At 31 March 2006	<u>1,986</u>	<u>-</u>

The group deferred tax is provided as follows:

	2006	2005
	£'000	£'000
Accelerated capital allowances	<u>1,986</u>	<u>1,735</u>
	<u>1,986</u>	<u>1,735</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

13. CALLED UP SHARE CAPITAL

	2006 £'000	2005 £'000
Authorised		
20,000 Ordinary shares of £1 each	20	20
Called up, allotted and fully paid		
20,000 Ordinary shares of £1 each	20	20

14. RESERVES

Group	Revaluation reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2005	43,399	84	100,625	144,108
Revaluations of investment properties	103,076	-	-	103,076
Transfer revaluation on disposal	(980)	-	980	-
Retained profit for the year	-	-	5,800	5,800
At 31 March 2006	145,495	84	107,405	252,984

Company	Profit and loss account £'000
At 1 April 2005	28,264
Retained loss for the year	(179)
At 31 March 2006	28,085

15. RECONCILIATION OF MOVEMENTS IN GROUP EQUITY SHAREHOLDERS FUNDS

	2006 £'000	2005 £'000
Profit for the financial year	5,800	6,369
Surplus on revaluations of investment properties	103,076	980
Net addition to group equity shareholders' funds	108,876	7,349
Opening group equity shareholders' funds	144,128	136,779
Closing group equity shareholders' funds	253,004	144,128

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

16. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006 £'000	2005 £'000
Operating profit	8,249	9,133
Depreciation	353	86
Loss on sale of tangible fixed assets	79	4
Decrease/(increase) in debtors	1,092	(1,265)
(Decrease)/increase in creditors	(2,439)	2,507
Net cash inflow from operating activities	<u>7,334</u>	<u>10,465</u>

17. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2006 £'000	2005 £'000
Increase/(decrease) in cash in the year	1,747	(145)
Cash inflow from decrease in debt	<u>5,460</u>	<u>6,154</u>
Movement in net debt in the year	7,207	6,009
Net debt at beginning of year	<u>(47,655)</u>	<u>(53,664)</u>
Net debt at end of year	<u>(40,448)</u>	<u>(47,655)</u>

18. ANALYSIS OF CHANGES IN NET DEBT

	At 31 March 2005 £'000	Cash flows £'000	At 31 March 2006 £'000
Cash at bank and in hand	3	-	3
Bank overdraft	(2,869)	1,747	(1,122)
Unsecured loan	<u>(44,789)</u>	<u>5,460</u>	<u>(39,329)</u>
	<u>(47,655)</u>	<u>7,207</u>	<u>(40,448)</u>

19. RELATED PARTY TRANSACTIONS

Included within creditors falling due within one year is a non interest bearing loan of £39,329,000 (2005: £44,789,000) owed to Mr P. Sykes, a director of the company. This loan is repayable on demand.

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.

20. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

21. POST BALANCE SHEET EVENTS/GOING CONCERN

Following the year-end, seven properties within the group were sold. These properties had a combined valuation at the year end of £266.5 million and were sold for a combined value of £284.8 million. As a result, the following subsidiaries within the group will not be continuing as a going concern:

Highstone Estates (Manchester) Limited
Highstone Estates (Vicar Lane) Limited
Highstone Estates (Kidderminster) Limited
Highstone Estates (York) Limited
Highstone Estates (Leeds) Limited

In addition Highstone Estates (Park Place) Limited ceased to be a going concern during the year.

The group, however, will continue as a going concern.