

**HIGHSTONE GROUP LIMITED**

**Report and Financial Statements**

**31 March 2008**

DSC, Chartered Accountants

TUESDAY



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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

P. Sykes  
C.J. Dalzell

**SECRETARY**

A Roff

**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 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 2008.

### PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the group during the year was property and related investment and Highstone Group Limited is the ultimate holding company.

Following the disposal of a number of group property investments in the prior year, there have been no significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

The directors are satisfied with the group's results for the year and believe the company is well placed to achieve further growth and development in the immediate future, and beyond.

The group continues to make cash investments with established banking and government markets, whilst simultaneously actively seeking to expand its property investment portfolio and to enter new geographic markets.

Our key performance indicators are rents receivable and investment income. Rents have fallen following the sales of a number of investment properties. Interest receivable has risen following the investment of the cash proceeds resulting from the property sales.

### PRINCIPAL RISKS AND UNCERTAINTIES

The present global economic down turn make for difficult conditions with continued falls in investment rates and returns. The group manages the risk by having a diverse investment base.

### PREPARATION OF ACCOUNTS – GOING CONCERN BASIS

The group's business activities, together with the factors likely to affect its future development, performance and position are set out above.

The group has considerable cash resources and no external debt. It has a well diversified investment portfolio, with strong relationships with its suppliers. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the uncertain economic outlook.

After making enquires, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

### RESULTS AND DIVIDENDS

The group's profit for the year after taxation amounted to £7,050,000 (2007 loss: £9,595,000). The directors do not recommend payment of a dividend (2007: £nil).

### DIRECTORS

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

P. Sykes

R.W. Dawson (resigned 19 July 2007)

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 £1,182,767 were made by the company during the year.

## DIRECTORS' REPORT

### AUDITORS

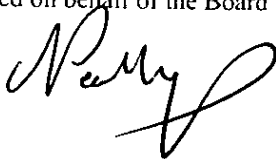
Each of the persons who is a director at the date of approval of this report confirms that:

- 1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- 2) the 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.

This confirmation is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985.

DSC have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



P Sykes

Director

20 April 2009

## 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 2008, which comprise the profit and loss accounts, the balance sheets, the consolidated cash flow statement and the related notes 1 to 20. 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 2008 and of the profit of the company and the group for the year then ended and
- have been properly prepared in accordance with the Companies Act 1985.
- the information given in the Report of the Directors is consistent with the financial statements.

DSC

DSC

Chartered Accountants and Registered Auditors

20 April 2009



**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 2008**

	Note	2008 £'000	2007 £'000
<b>TURNOVER</b>	2	807	7,156
Cost of sales		(859)	(2,386)
<b>GROSS (LOSS)/PROFIT</b>		(52)	4,770
Operating expenses	3	(2,100)	(3,887)
<b>OPERATING (LOSS)/PROFIT</b>		(2,152)	883
Profit on sale of property investments		-	26,594
Profit on sale of investments		-	1,615
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND INVESTMENT INCOME</b>		(2,152)	29,092
Interest receivable and similar income	5	13,468	8,364
Interest payable and similar costs	5	(433)	(83)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6	10,883	37,373
Tax on profit on ordinary activities	7	(3,833)	(46,968)
<b>RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>	14	7,050	(9,595)

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

All activities derive from continuing operations.

There are no recognised gains and losses for the current and preceding financial years other than the profit/loss shown above. Accordingly, no statement of total recognised gains and losses has been presented.



**COMPANY PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 2008**

	Note	2008 £'000	2007 £'000
Operating expenses	3	(1,326)	(2,195)
<b>OPERATING LOSS</b>		<b>(1,326)</b>	<b>(2,195)</b>
Profit on sale of investments		-	1,615
Dividends received		-	1,557
Interest receivable	5	13,415	8,280
Interest payable and similar costs	5	(433)	(33)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6	<b>11,656</b>	<b>9,224</b>
Tax on profit on ordinary activities	7	(3,575)	(1,938)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT FOR THE YEAR</b>	14	<b>8,081</b>	<b>7,286</b>

The above results arise from continuing operations.

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

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

**CONSOLIDATED BALANCE SHEET**  
**31 March 2008**

	Note	2008 £'000	2007 £'000
<b>FIXED ASSETS</b>			
Tangible assets	8	11,123	11,448
Assets in the course of construction		-	10
		<u>11,123</u>	<u>11,458</u>
<b>CURRENT ASSETS</b>			
Debtors	10	11,753	2,018
Cash at bank and in hand		233,719	255,076
		<u>245,472</u>	<u>257,094</u>
<b>CREDITORS: amounts falling due within one year</b>	11	(6,407)	(25,444)
		<u>239,065</u>	<u>231,650</u>
<b>NET CURRENT ASSETS</b>			
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>250,188</u>	<u>243,108</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	12	(156)	(126)
<b>NET ASSETS</b>		<u>250,032</u>	<u>242,982</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	20	20
Merger reserve	14	84	84
Revaluation reserve	14	2,047	2,047
Profit and loss account	14	247,881	240,831
		<u>250,032</u>	<u>242,982</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	15	<u>250,032</u>	<u>242,982</u>

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

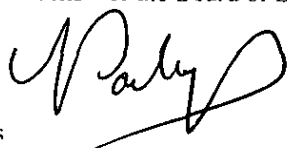
**COMPANY BALANCE SHEET**  
**31 March 2008**

	Note	2008 £'000	2007 £'000
<b>FIXED ASSETS</b>			
Investments	9	22,992	22,991
<b>CURRENT ASSETS</b>			
Debtors	10	11,775	28,662
Cash at bank		233,719	255,076
		245,494	283,738
<b>CREDITORS: amounts falling due within one year</b>	11	(225,014)	(271,338)
<b>NET CURRENT ASSETS</b>		20,480	12,400
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		43,472	35,391
<b>NET ASSETS</b>		43,472	35,391
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	20	20
Profit and loss account	14	43,452	35,371
<b>EQUITY SHAREHOLDERS' FUNDS</b>		43,472	35,391

These financial statements were approved by the Board of Directors on 20 April 2009.

Signed on behalf of the Board of Directors

X



X

P Sykes  
 Director

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

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 March 2008**

	Note	2008 £'000	2007 £'000
Net cash outflow from operating activities	16	(12,290)	(1,561)
<b>Returns on investments and servicing of finance</b>			
Interest received		13,468	8,364
Interest paid		(433)	(83)
<b>Net cash inflow from returns on investments and servicing of finance</b>		13,035	8,281
<b>Taxation</b>		(25,789)	(25,634)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(17)	(2,986)
Proceeds from sale of tangible fixed assets		-	306,476
<b>Net cash (outflow)/inflow from capital expenditure and financial investment</b>		(17)	303,490
<b>Disposals</b>		-	10,479
<b>Net cash (outflow)/inflow before financing</b>		(25,061)	295,055
<b>Financing</b>			
Increase in / (repayment) of borrowings		3,749	(38,950)
<b>Net cash inflow/(outflow) from financing</b>		3,749	(38,950)
<b>(Decrease)/increase in cash in the year</b>	17,18	(21,312)	256,105

**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 March 2008****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 2008.

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 is 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 2008

### 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	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
United Kingdom	807	7,156	-	-

### 3. OPERATING EXPENSES

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Administrative expenses	2,100	3,887	1,326	2,195

### 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

#### Directors' remuneration - Group

	2008	2007
	£'000	£'000
The remuneration of the directors was as follows:		
Emoluments	53	914

#### Highest paid director

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

	2008	2007
	£'000	£'000
Emoluments	53	536

#### Staff costs

#### Group

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

	2008	2007
	Number	Number
Management and administration	16	15

Their aggregate remuneration comprised:

	2008	2007
	£'000	£'000
Wages and salaries	268	2,281
Social security costs	27	285
	295	2,566

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

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

## Company

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

	2008 Number	2007 Number
Management and administration	2	3

Their costs were borne by other group companies.

## 5. INTEREST RECEIVABLE AND PAYABLE

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Bank interest payable	-	(83)	-	(33)
Foreign exchange	(433)	-	(433)	-
Interest receivable and similar income	13,468	8,364	13,415	8,280
	<u>13,035</u>	<u>8,281</u>	<u>12,982</u>	<u>8,247</u>

## Interest receivable and similar income

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Bank interest	13,414	8,360	13,415	8,280
Finance contract income	52	-	-	-
Interest on corporation tax payments on account	2	4	-	-
	<u>13,468</u>	<u>8,364</u>	<u>13,415</u>	<u>8,280</u>

## 6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Depreciation	328	324	-	-
Loss on disposal of fixed assets	14	6	-	-
Auditors' remuneration for audit services	19	18	1	1

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

## 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
The tax charge / (credit) comprises:				
<b>Current tax</b>				
UK corporation tax	3,267	48,562	3,249	1,916
Adjustments in respect of prior years:				
Corporation tax	536	24	326	22
<b>Total current tax</b>	<u>3,803</u>	<u>48,586</u>	<u>3,575</u>	<u>1,938</u>
<b>Deferred tax</b>				
Origination and reversal of timing differences	43	(1,618)	-	-
Adjustments in respect of prior years	(13)	-	-	-
<b>Total deferred tax</b>	<u>30</u>	<u>(1,618)</u>	<u>-</u>	<u>-</u>
<b>Total tax on profit on ordinary activities</b>	<u>3,833</u>	<u>46,968</u>	<u>3,575</u>	<u>1,938</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	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
<b>Profit on ordinary activities before tax</b>	<u>10,883</u>	<u>37,373</u>	<u>11,656</u>	<u>9,224</u>
Tax on profit on ordinary activities at UK corporation tax rate of 30%	3,265	11,212	3,496	2,760
Effects of:				
Income not taxable for tax purposes	-	(467)	-	(467)
Expenses not deductible for tax purposes	54	13	-	-
Capital allowances in excess of depreciation	(54)	1,618	-	-
Difference from accounting profit on property disposal	-	35,369	-	(377)
Difference from accounting profit on investment disposal	-	815	-	-
Group relief	-	-	(247)	-
Rate differences	2	-	-	-
Roundings	-	2	-	-
Prior period adjustment – corporation tax	536	131	326	22
Prior period adjustment – group relief	-	(107)	-	-
<b>Current tax charge for the year</b>	<u>3,803</u>	<u>48,586</u>	<u>3,575</u>	<u>1,938</u>



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

## 8. TANGIBLE FIXED ASSETS

Group	Land and Investment Properties £'000	Buildings Freehold £'000	Office equipment, fixtures and fittings £'000	Total £'000
<b>Cost or valuation</b>				
At 1 April 2007	7,433	1,500	3,243	12,176
Additions	-	-	17	17
Disposals	-	-	(21)	(21)
At 31 March 2008	7,433	1,500	3,239	12,172
<b>Depreciation</b>				
At 1 April 2007	-	-	728	728
Charge	-	-	328	328
Disposals	-	-	(7)	(7)
At 31 March 2008	-	-	1,049	1,049
<b>Net book value</b>				
At 31 March 2008	7,433	1,500	2,190	11,123
At 31 March 2007	7,433	1,500	2,515	11,448

Investment properties were valued, on an open market existing use basis, at 31 March 2008, by C 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 £6,886,000 (2007: £6,886,000).

## 9. FIXED ASSET INVESTMENTS

	2008 £'000	2007 £'000
<b>Subsidiary undertakings</b>		
<b>Cost and net book value</b>		
At 1 April 2007	22,991	31,855
Additions	1	-
Disposals	-	(8,864)
At 31 March 2008	22,992	22,991

All subsidiary undertakings are wholly owned and their principal activities are property investment. Several of the companies disposed of their investment properties during the previous year and were therefore dormant throughout the year.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2008**

	Country of registration
Highstone Estates (Harrogate) Limited	England
Highstone Estates Limited	England
Highstone Estates (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 South) Limited	England
Highstone Estates (Park Place) Limited	England
Highstone Estates (City Square) Limited	England
Rasselas Limited	Malta

**10. DEBTORS**

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Trade debtors	112	125	-	-
Amounts receivable under finance agreement	11,429	-	-	-
Other debtors	130	1,302	-	-
Amounts due from group undertakings	-	-	4,954	5,265
Corporation tax	-	-	-	23,072
VAT debtor	-	62	-	-
Service charges recoverable	-	3	-	-
Unsecured loan	-	-	6,821	-
Prepayments and accrued income	82	526	-	325
	<u>11,753</u>	<u>2,018</u>	<u>11,775</u>	<u>28,662</u>

Included in company debtors is an unsecured loan of £6,821,186 to Mr P Sykes, a director. This figure was also the maximum amount outstanding during the year. Interest is being charged on the loan at the official rate of interest prescribed by HMRC. The loan was repaid within nine months of the year-end.

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

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Bank overdraft (secured)	45	90	67	77
Amounts owed to group undertakings	-	-	223,491	270,878
Corporation tax payable	1,578	23,574	1,449	-
Other taxation and social security	363	-	-	-
Other creditors	13	516	-	-
Unsecured loan	4,128	379	-	352
Accruals and deferred income	280	885	7	31
	<u>6,407</u>	<u>25,444</u>	<u>225,014</u>	<u>271,338</u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

## 12. PROVISION FOR LIABILITIES AND CHARGES

## Deferred taxation

	Group £'000	Company £'000
At 1 April 2007	126	-
Charge for the year	30	-
At 31 March 2008	156	-

The group deferred tax is provided as follows:

	2008 £'000	2007 £'000
Accelerated capital allowances	156	126
	156	126

## 13. CALLED UP SHARE CAPITAL

	2008 £'000	2007 £'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

## 14. RESERVES

Group	Revaluation reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2007	2,047	84	240,831	242,962
Retained profit for the year	-	-	7,050	7,050
At 31 March 2008	2,047	84	247,881	250,012

Company	Profit and loss account £'000
At 1 April 2007	35,371
Retained profit for the year	8,081
At 31 March 2008	43,452

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

## 15. RECONCILIATION OF MOVEMENTS IN GROUP EQUITY SHAREHOLDERS FUNDS

	2008 £'000	2007 £'000
Profit / (loss) for the financial year	7,050	(9,595)
Removal of reserves on disposal of investment	-	(427)
Net addition to / (reduction in) group equity shareholders' funds	7,050	(10,022)
Opening group equity shareholders' funds	242,982	253,004
Closing group equity shareholders' funds	250,032	242,982

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

	2008 £'000	2007 £'000
Operating (loss)/profit	(2,152)	883
Depreciation	328	324
Loss on sale of tangible fixed assets	14	6
Increase in debtors	(9,735)	(132)
Decrease in creditors	(745)	(2,642)
Net cash outflow from operating activities	(12,290)	(1,561)

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

	2008 £'000	2007 £'000
(Decrease)/increase in cash in the year	(21,312)	256,105
Cash (outflow)/inflow from increase/decrease in debt	(3,749)	38,950
Movement in net debt in the year	(25,061)	295,055
Net debt at beginning of year	254,607	(40,448)
Net debt at end of year	229,546	254,607

## 18. ANALYSIS OF CHANGES IN NET DEBT

	At 31 March 2007 £'000	Cash flows £'000	At 31 March 2008 £'000
Cash at bank and in hand	255,076	(21,357)	233,719
Bank overdraft	(90)	45	(45)
Unsecured loan	(379)	(3,749)	(4,128)
	254,607	(25,061)	229,546

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2008**

**19. RELATED PARTY TRANSACTIONS**

Included within creditors falling due within one year is a non interest bearing loan of £4,128,000 (2007: £379,000) 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.