

COMPANY REGISTRATION NUMBER 00528421

**STARMOUNT (SECURITIES) LIMITED AND
SUBSIDIARIES**

FINANCIAL STATEMENTS

FOR

30 NOVEMBER 2004

CLAYTON STARK & CO

Chartered Accountants & Registered Auditors
5th Floor Charles House
108 - 110 Finchley Road
London NW3 5JJ



STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2004

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STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Sir S Sternberg
Mr M A M Slowe
Lady H Sternberg
Mrs V J Slowe
Mr M V Sternberg

Company secretary

Mr M A M Slowe

Registered office

5th Floor Charles House
108-110 Finchley Road
London NW3 5JJ

Auditors

Clayton Stark & Co
Chartered Accountants
& Registered Auditors
5th Floor Charles House
108 - 110 Finchley Road
London NW3 5JJ

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

THE DIRECTORS' REPORT

YEAR ENDED 30 NOVEMBER 2004

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30 November 2004.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activity is that of property investments and to act as a holding company. The principal activities of the main subsidiaries are property dealing, estate management and surveying and developing and investing in properties.

Details of the results are set out in the annexed consolidated profit and loss account. The state of the affairs of the group, which the directors consider to be satisfactory, is set out in the annexed consolidated balance sheet. The profit of the group for the year after taxation was £2,494,182. After deducting dividends paid of £89,999 the retained profit for the year was £2,404,183.

During the period under review, one of the companies within the group was successful in letting out some more of the remaining units in its major development project which had been practically completed in the previous year and as at 30 November 2004, approximately 94% of the available floor space had been let.

RESULTS AND DIVIDENDS

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2004	2003
	£	£
Dividends paid on ordinary shares	<u>89,999</u>	<u>89,999</u>

Two interim dividends of £105.633 per share on each occasion on both the 'A' and 'B' ordinary shares were paid on 1 November 2004 and 30 November 2004 respectively. The directors do not recommend the payment of a final dividend. The payments of these dividends amounted to £89,999.

THE DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

		At 30 November 2004	At 1 December 2003
Sir S Sternberg	'A' Ordinary	211	211
Mr M A M Slowe		-	-
Lady H Sternberg	'A' Ordinary	1	1
Mrs V J Slowe		-	-
Mr M V Sternberg	'A' Ordinary	<u>25</u>	<u>25</u>

Mrs V J Slowe has an interest in a family trust which held 20 'B' Ordinary shares in the company at 30 November 2004 (2003 - 30 'B' Ordinary shares).

FIXED ASSETS

The acquisition and disposal of fixed assets are recorded in the notes to the financial statements.

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 NOVEMBER 2004

DIRECTORS' RESPONSIBILITIES

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 at the end of the year and of the profit or loss of the group for the year then ended. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 11 to 13, and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

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 the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DONATIONS

During the year the group made the following contributions:

	2004	2003
	£	£
Charitable	<u>600</u>	<u>100</u>

AUDITORS

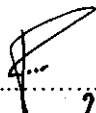
A resolution to re-appoint Clayton Stark & Co as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
5th Floor Charles House
108-110 Finchley Road
London NW3 5JJ

Signed by order of the directors



MR M A M SLOWE
Company Secretary

Approved by the directors on  27 SEP 2005

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES****YEAR ENDED 30 NOVEMBER 2004**

We have audited the financial statements on pages 5 to 22 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 11 to 13.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you 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 the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

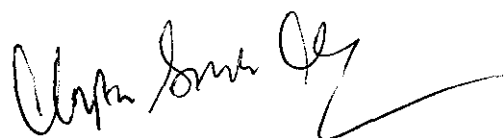
BASIS OF AUDIT OPINION

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 affairs of the company and of the group as at 30 November 2004 and of the profit of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



CLAYTON STARK & CO
Chartered Accountants
& Registered Auditors

5th Floor Charles House
108 - 110 Finchley Road
London NW3 5JJ

28 SEP 2005

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES**CONSOLIDATED PROFIT AND LOSS ACCOUNT****YEAR ENDED 30 NOVEMBER 2004**

	Note	2004 £	2003 £
TURNOVER	2	5,309,117	5,999,631
Cost of sales		(931,423)	(1,075,233)
GROSS PROFIT		4,377,694	4,924,398
Administrative expenses		(1,589,578)	(1,450,651)
Other operating income		582,486	322,765
OPERATING PROFIT	3	3,370,602	3,796,512
Interest receivable and similar income		58,877	29,759
Interest payable and similar charges	6	(631,635)	(410,185)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,797,844	3,416,086
Tax on profit on ordinary activities	7	(303,662)	(1,006,340)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,494,182	2,409,746
Dividends	8	(89,999)	(89,999)
RETAINED PROFIT FOR THE FINANCIAL YEAR		2,404,183	2,319,747
Earnings per share	9	£5,854.9	£5,656.7

PROFIT AFTER TAXATION

Profit after taxation amounting to £2,284,982 (2003 - £2,475,590), after taking into account dividends receivable from a subsidiary undertaking, has been dealt with in the financial statements of the holding company.

CONTINUING OPERATIONS

None of the Group's activities were acquired or discontinued during the above two financial years.

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****YEAR ENDED 30 NOVEMBER 2004**

	2004 £	2003 £
Profit for the financial year attributable to the shareholders	2,494,182	2,409,746
Unrealised profit on revaluation of certain fixed assets	1,159,048	10,089,326
Total gains and losses recognised since the last annual report	<u>3,653,230</u>	<u>12,499,072</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Profit for the financial year	2,494,182	2,409,746
Dividends	(89,999)	(89,999)
	<u>2,404,183</u>	<u>2,319,747</u>
Other net recognised gains and losses	1,159,048	10,089,326
Net addition to funds	3,563,231	12,409,073
Opening shareholders' equity funds	34,207,605	21,798,532
Closing shareholders' equity funds	<u>37,770,836</u>	<u>34,207,605</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

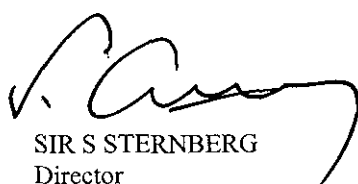
	2004 £	2003 £
Reported profit on ordinary activities before taxation	2,797,844	3,416,086
Realisation of property revaluation surpluses of previous years	572,051	1,642,170
Historical cost profit on ordinary activities before taxation	<u>3,369,895</u>	<u>5,058,256</u>
Historical cost profit for the year retained after taxation and dividends	<u>2,976,234</u>	<u>3,961,917</u>

The notes on pages 11 to 22 form part of these financial statements.

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEET****30 NOVEMBER 2004**

	Note	2004 £	2003 £
FIXED ASSETS			
Tangible assets	10	45,388,840	44,287,234
Investments	11	301	301
		<u>45,389,141</u>	<u>44,287,535</u>
CURRENT ASSETS			
Stocks	12	3,135,623	3,162,284
Debtors	13	1,659,957	502,591
Cash at bank and in hand		1,732	2,308
		<u>4,797,312</u>	<u>3,667,183</u>
CREDITORS: Amounts falling due within one year	15	<u>(4,194,515)</u>	<u>(3,529,516)</u>
NET CURRENT ASSETS		<u>602,797</u>	<u>137,667</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>45,991,938</u>	<u>44,425,202</u>
CREDITORS: Amounts falling due after more than one year	16	<u>(8,221,102)</u>	<u>(10,217,597)</u>
		<u>37,770,836</u>	<u>34,207,605</u>
CAPITAL AND RESERVES			
Called-up equity share capital	20	426	426
Share premium account		41,061	41,061
Revaluation reserve	21	14,026,296	13,439,299
Profit and loss account	22	23,703,053	20,726,819
SHAREHOLDERS' FUNDS		<u>37,770,836</u>	<u>34,207,605</u>

These financial statements were approved by the directors on the 27 SEP 2005 and are signed on their behalf by:



SIR S STERNBERG
Director

STARMOUNT (SECURITIES) LIMITED**COMPANY BALANCE SHEET****30 NOVEMBER 2004**

	Note	2004 £	2003 £
FIXED ASSETS			
Tangible assets	10	18,395,000	18,166,000
Investments	11	454	454
		<u>18,395,454</u>	<u>18,166,454</u>
CURRENT ASSETS			
Debtors	13	13,951,222	15,214,761
Cash at bank		59	19
		<u>13,951,281</u>	<u>15,214,780</u>
CREDITORS: Amounts falling due within one year	15	<u>(1,649,067)</u>	<u>(6,363,549)</u>
NET CURRENT ASSETS		<u>12,302,214</u>	<u>8,851,231</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>30,697,668</u>	<u>27,017,685</u>
CAPITAL AND RESERVES			
Called-up equity share capital	20	426	426
Share premium account		41,061	41,061
Revaluation reserve	21	10,164,469	9,258,994
Profit and loss account	22	20,491,712	17,717,204
SHAREHOLDERS' FUNDS		<u>30,697,668</u>	<u>27,017,685</u>

These financial statements were approved by the directors on the 27 SEP 2005 and are signed on their behalf by:



SIR S. STERNBERG
Director

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

CASH FLOW STATEMENT

YEAR ENDED 30 NOVEMBER 2004

	2004	2003
	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	2,927,371	5,251,255
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	54,329	31,092
Interest paid	(600,629)	(413,473)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(546,300)	(382,381)
TAXATION	(535,446)	(1,400,000)
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	(1,266,685)	(10,424,482)
Receipts from sale of fixed assets	1,838,486	3,110,793
NET CASH INFLOW/(OUTFLOW) FROM CAPITAL EXPENDITURE	571,801	(7,313,689)
EQUITY DIVIDENDS PAID	(89,999)	(89,999)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING	2,327,427	(3,934,814)
FINANCING		
New bank loan	-	4,602,082
(Repayment) of bank loans	(2,846,495)	(850,000)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING	(2,846,495)	3,752,082
(DECREASE IN CASH)	(519,068)	(182,732)

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2004	2003
	£	£
Operating profit	3,370,602	3,796,512
Depreciation	68,127	66,782
Profit on disposal of fixed assets	(582,486)	(322,765)
Decrease in stocks	26,661	361,875
(Increase)/decrease in debtors	(1,123,649)	153,867
Increase in creditors	1,168,116	1,194,984
Net cash inflow from operating activities	2,927,371	5,251,255

The notes on pages 11 to 22 form part of these financial statements.

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

CASH FLOW STATEMENT *(continued)*

YEAR ENDED 30 NOVEMBER 2004

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2004		2003
	£	£	£
(Decrease) in cash in the period	(519,068)		(182,732)
Net cash outflow from/(inflow) from bank loans	<u>2,846,495</u>		<u>(3,752,082)</u>
	2,327,427		(3,934,814)
Change in net debt	<u>2,327,427</u>		<u>(3,934,814)</u>
Net debt at 1 December 2003	(11,177,524)		(7,242,710)
Net debt at 30 November 2004	<u>(8,850,097)</u>		<u>(11,177,524)</u>

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Dec 2003 £	Cash flows £	At 30 Nov 2004 £
Net cash:			
Cash in hand and at bank	2,308	(576)	1,732
Overdrafts	(112,235)	(518,492)	(630,727)
	<u>(109,927)</u>	<u>(519,068)</u>	<u>(628,995)</u>
Debt:			
Debt due within 1 year	(850,000)	850,000	—
Debt due after 1 year	(10,217,597)	1,996,495	(8,221,102)
	<u>(11,067,597)</u>	<u>2,846,495</u>	<u>(8,221,102)</u>
Net debt	<u>(11,177,524)</u>	<u>2,327,427</u>	<u>(8,850,097)</u>

The notes on pages 11 to 22 form part of these financial statements.

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2004

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Therefore, certain fixed assets are not depreciated in accordance with the Companies Act as explained in the depreciation policy note.

In particular, a consolidation adjustment is made to eliminate "intra-group" profit/(loss) on transfer of properties from a subsidiary company's stock of properties to the parent company's portfolio of investment properties. When applicable, such adjustment is taken to the revaluation reserve in the year in which it arises.

Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the company and its subsidiary undertakings. No profit and loss account is presented for the company as permitted by section 230 of the Companies Act 1985.

Goodwill arising on consolidation and representing the excess of the purchase price over the fair value of the net assets acquired, has previously been written off against reserves and, as permitted by FRS10, has not been reinstated in the balance sheet.

Turnover

All sales of trading properties are stated net of value added tax and costs incurred on their disposal, and recognised where contracts have been completed during the accounting period.

The group's gross property income consists of rental income, service charges and insurances recoverable from tenants of both investment and dealing properties exclusive of value added tax. In accordance with the Accounting Standards Board's(ASB) Urgent Issues Task Force Abstract 28 'Operating Lease Incentives' (UITF28) the group treats any incentive for lessees to enter into lease agreements as a revenue cost and accounts for rental income from the commencement date of any rent-free period. The cost of all incentives (such as rent-free periods or contributions to tenants fitting out costs) is, therefore, offset against the total rent due and the net rental income is then spread evenly over the shorter of the period from the commencement date to the date of the next rent review or the lease end date or the date of the lease break clause, if applicable.

Property and refurbishment costs

Irrecoverable running costs directly attributable to specific properties within the Group's portfolio are charged to the profit and loss account as costs of sales. Costs incurred in the improvement of the portfolio which, in the opinion of the directors, are not of a capital nature are written off to the profit and loss account as incurred.

Administration expenses

All costs not directly attributable to the individual properties are treated as administration expenses.

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 30 NOVEMBER 2004****1. ACCOUNTING POLICIES** *(continued)***Fixed assets**

All fixed assets are initially recorded at cost.

Depreciation

In accordance with Statement of Standard Accounting Practice No. 19, no depreciation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that this policy of not providing depreciation is necessary in order for the accounts to give a true and fair view, since the current value of investment properties and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

The group's policy is to provide depreciation on all fixed assets other than on investment properties as stated above. The rates used are calculated to write off the cost of each asset over their estimated useful lives as follows:

Leasehold property	over the term of the lease
Motor vehicles	25% on reducing balance
Fixtures and equipment	20% straight line

Investment properties

Investment properties are shown at their market value. The surplus or deficit arising from the annual revaluation is transferred to the investment revaluation reserve unless, a deficit or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

Disposals of investment and trading properties are recognised where contracts have been completed during the accounting period. Net surpluses in excess of book values arising on the sale investment properties are taken to the profit and loss account.

Stock of trading properties

Stock of properties has been valued by the directors at the lower of cost and net realisable value on a basis consistent with previous years.

Pension costs

Pension scheme contributions charged to the Group's profit and loss account are paid into individuals' personal pension schemes.

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2004

1. ACCOUNTING POLICIES *(continued)*

Deferred taxation

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

No provision is made for tax on capital gains which would arise if investment properties owned by the Group were to be realised at the amounts at which they are stated in the accounts. An estimate of the potential liability is given in note 10. Provision is only made for deferred tax if a commitment has been entered into for the sale of an investment property prior to the balance sheet date.

Capitalisation of finance costs

Finance costs including bank loan interest payable incurred in respect of assets in the course of construction are capitalised during the period of development.

2. TURNOVER

Turnover, all of which derives from the United Kingdom, comprises the following:-

	2004 £	2003 £
Sale of properties	97,197	2,046,930
Rents, insurances and service charges receivable	4,170,405	2,923,783
Premiums received on leases taken over	30,000	-
Fees and commissions receivable	1,008,115	1,028,918
Income from leasing cars to employees	3,400	-
	<u>5,309,117</u>	<u>5,999,631</u>

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2004 £	2003 £
Depreciation of owned fixed assets	68,127	66,782
Profit on disposal of fixed assets	(582,486)	(322,765)
Auditors' remuneration	<u>27,000</u>	<u>27,000</u>

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2004

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2004	2003
	No	No
Number of administrative staff	<u>16</u>	<u>16</u>

The aggregate payroll costs of the above were:

	2004	2003
	£	£
Wages and salaries	1,006,598	932,715
Social security costs	131,679	118,176
Other pension costs	50,296	44,044
	<u>1,188,573</u>	<u>1,094,935</u>

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2004	2003
	£	£
Emoluments receivable	<u>459,596</u>	<u>429,491</u>

Emoluments of highest paid director:

	2004	2003
	£	£
Total emoluments (excluding pension contributions)	<u>322,332</u>	<u>302,029</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£	£
Interest payable on bank borrowing	587,513	396,916
Other similar charges payable	44,122	13,269
	<u>631,635</u>	<u>410,185</u>

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2004

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2004		2003
	£	£	£
Current tax:			
In respect of the year:			
UK Corporation tax based on the results for the year at 30% (2003 - 30%)	780,000		940,000
(Over) provision in prior year - (see below)	(447,169)		(642)
Total current tax	332,831		939,358
Deferred tax:			
Origination and reversal of timing differences (note 14)			
Capital allowances	(11,735)		—
Current year gains taxed in previous year	—	66,982	
Post year end gains taxable in current year	(17,434)	—	
Total deferred tax (note 14)	(29,169)		66,982
Tax on profit on ordinary activities	303,662		1,006,340

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2003 - 30%). The differences are explained below:

	2004	2003
	£	£
Profit on ordinary activities before taxation	2,797,844	3,416,086
Profit on ordinary activities at a rate of tax of 30%	839,353	1,024,826
Effects of:		
Expenses not deductible for tax purposes	38,149	2,284
Capital allowances in excess of depreciation and related adjustments	(182,791)	(186,259)
Taxable gains in excess of profit on disposals per accounts	78,277	78,520
Tax relief for interest and finance costs capitalised to asset in the course of construction	—	(33,856)
Rounding on corporation tax provision	7,012	54,485
Adjustment to tax charge in respect of previous years - capital allowances claims	(447,169)	(642)
Total current tax (note 7(a))	332,831	939,358

8. DIVIDENDS

The following dividends have been paid in respect of the year:

	2004	2003
	£	£
Dividend paid on ordinary shares	89,999	89,999

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2004

9. EARNINGS PER SHARE

	2004 £	2003 £
Earnings per ordinary share	<u>5854.9</u>	<u>5,656.7</u>

Earnings per share have been calculated on the net basis on the profit on ordinary activities after taxation of £2,494,182 (2003 - £2,409,746) using the average number of ordinary shares in issue of 426 (2003 - 426).

10. TANGIBLE FIXED ASSETS

(i) Group

	Investment properties £	Leasehold Property £	Motor Vehicles £	Fixtures & Equipment £	Total £
COST OR VALUATION					
At 1 December 2003	44,066,000	6,118	167,583	294,451	44,534,152
Additions	1,225,952	—	—	40,733	1,266,685
Disposals	(1,256,000)	—	—	—	(1,256,000)
Revaluation	1,159,048	—	—	—	1,159,048
At 30 November 2004	<u>45,195,000</u>	<u>6,118</u>	<u>167,583</u>	<u>335,184</u>	<u>45,703,885</u>
DEPRECIATION					
At 1 December 2003	—	2,050	47,977	196,891	246,918
Charge for the year	—	82	29,903	38,142	68,127
At 30 November 2004	<u>—</u>	<u>2,132</u>	<u>77,880</u>	<u>235,033</u>	<u>315,045</u>
NET BOOK VALUE					
At 30 November 2004	<u>45,195,000</u>	<u>3,986</u>	<u>89,703</u>	<u>100,151</u>	<u>45,388,840</u>
At 30 November 2003	<u>44,066,000</u>	<u>4,068</u>	<u>119,606</u>	<u>97,560</u>	<u>44,287,234</u>

The group's portfolio of investment properties includes some long leasehold properties, all of which are held by the holding company and details of these are given below.

All of the group's investment properties were valued on an open market basis at 30 November 2004 by Mr M Slowe, a director of the company who is also a Chartered Surveyor.

In the event of the sale of all of the group's investment properties at the amounts at which they are included in the consolidated balance sheet, it is estimated that an additional corporation tax liability amounting to approximately £3.9 million (2003 - £2.9 million) would crystallise.

The historical cost of investment properties attributable to the group at 30 November 2004 was £31,168,704 (2003 - £30,626,701).

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2004

10. TANGIBLE FIXED ASSETS *(continued)*

(ii) Company – Investment Properties

	Freehold £	Long Leasehold £	Total £
AT VALUATION			
At 1 December 2003	16,739,000	1,427,000	18,166,000
Additions	-	-	-
Disposals	(204,000)	(1,052,000)	(1,256,000)
Revaluation	1,392,000	93,000	1,485,000
At 30 November 2004	17,927,000	468,000	18,395,000

The historical cost of investment properties attributable to the company at 30 November 2004 was £8,230,531 (2003 - £8,907,006).

In the event of the sale of all of the company's investment properties at the amounts at which they are included in the company's balance sheet, it is estimated that additional corporation tax liability amounting to approximately £2.1 million (2003 - £1.7 million) would crystallise.

11. INVESTMENTS

(i) Group

	Total £
Unlisted investments at cost	
At 1 December 2003 and 30 November 2004	301

(ii) Company

	Investment in Subsidiaries £	Other Unlisted Investments £	Total £
Cost			
At 1 December 2003 and 30 November 2004	153	301	454

The directors' valuation of the investments does not differ materially from that shown above except for the investment in subsidiaries which is consolidated.

The company's principal subsidiary undertakings are Martin Slowe Estates Limited whose principal activity is property dealing, estate management and surveying and Workstone Limited whose principal activity is developing investment properties. Both are wholly owned and incorporated in England and Wales.

12. STOCKS

Group

	2004 £	2003 £
Stock of properties for resale	3,135,623	3,162,284

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2004

13. DEBTORS

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Trade debtors	182,190	86,793	81,252	23,401
Amount due from group undertaking	—	—	13,224,793	13,497,807
Dividend receivable from group undertaking	—	—	600,000	1,500,000
Corporation tax recoverable	—	—	22,866	180,642
Other debtors	72,036	256,988	546	546
Prepayments and accrued income	1,376,562	158,810	4,331	12,365
Deferred taxation (note 14)	29,169	—	17,434	—
	<u>1,659,957</u>	<u>502,591</u>	<u>13,951,222</u>	<u>15,214,761</u>

14. DEFERRED TAXATION

The movement in the deferred taxation account during the year was:

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Balance brought forward	—	—	—	(66,982)
Profit and loss account movement arising during the year	(29,169)	—	(17,434)	66,982
Balance carried forward	<u>(29,169)</u>	<u>—</u>	<u>(17,434)</u>	<u>—</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Excess of depreciation over taxation allowances on fixed assets	11,735	—	—	—
Post year end gains taxable in current year	17,434	—	17,434	—
Other timing differences	—	—	—	—
	<u>29,169</u>	<u>—</u>	<u>17,434</u>	<u>—</u>

15. CREDITORS: Amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Bank loans and overdraft	630,727	962,235	—	—
Trade creditors	112,306	24,512	47,495	—
Amount due to group undertakings	—	—	1,413,737	6,171,535
Corporation tax	256,743	459,358	—	—
Other taxes and social security	40,328	37,291	41,119	43,194
Other creditors	1,794,494	171,278	12,922	8,190
Accruals and deferred income	1,359,917	1,874,842	133,794	140,630
	<u>4,194,515</u>	<u>3,529,516</u>	<u>1,649,067</u>	<u>6,363,549</u>

Details of the bank loans and overdraft are given in note 16.

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2004

16. CREDITORS: Amounts falling due after more than one year

Group	2004 £	2003 £
Bank loans and overdrafts	8,000,000	9,996,495
Other creditors:		
Other creditors	221,102	221,102
	<u>8,221,102</u>	<u>10,217,597</u>

At 30 November 2004 the group had one bank loan, having commenced the year with two bank loans.

The balance outstanding at 30 November 2003 in respect of one of the bank loans was £5,737,000. Although this was due to be repaid by 19 July 2010, it was actually merged into the Investment loan facility referred to below on 19 January 2004.

The balance outstanding at 30 November 2003 in respect of the other bank loan of was £5,108,995. This loan originally consisted of various amounts drawn since 1 August 2002 together with interest subsequently charged and capitalised in respect of a Development Facility of £8.5million to be repaid on a date which was to be the earlier of 1 February 2004 or the date occurring one month after Practical Completion of the development project. Under the terms of the loan facility, the company also had an Investment Facility of up to £11.7 million having regard amongst other things, to lettings achieved in respect of the Property (once developed), to finance the repayment of the Development Facility and to provide finance for general corporate purposes. On 19 January 2004, £11 million of the Investment Facility was taken up and during the period under review, £3 million thereof was also subsequently repaid. The loan under the Investment Facility is to be repaid within ten years from the date of the first drawing under the Facility by quarterly instalments of £115,625 commencing two years after the first drawing of the Facility, the balance together with all interest accrued and other sums payable to be repaid in full on the Final Repayment Date.

The interest on the Development Facility was being charged quarterly at a rate of 2.25% over LIBOR. The interest on the Investment Facility is also charged quarterly at a rate of 1.25% over LIBOR.

The bank loan under the Investment Facility is secured upon the group's investment properties and stock of properties for resale and also by fixed and floating charges over the other assets of the group.

Other creditors are repayable on demand, although it is anticipated that none of these will fall due for repayment within one year.

Additional disclosures relating to debenture loans and bank loans

The following aggregate liabilities repayable by instalments, some of which fall due for repayment after more than five years from the balance sheet date are as follows:

Group	2004 £	2003 £
Bank loans	<u>8,000,000</u>	<u>10,846,495</u>

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2004

17. CREDITORS - CAPITAL INSTRUMENTS

Group

Creditors include finance capital which is due for repayment as follows:

	2004	2003
	£	£
Amounts repayable:		
In one year or less or on demand	630,727	962,235
In more than one year but not more than two years	462,500	850,000
In more than two years but not more than five years	1,387,500	3,937,500
In more than five years	6,150,000	5,208,995
	<u>8,630,727</u>	<u>10,958,730</u>

The above liabilities comprise bank loans and an overdraft. Full details of the bank loans are given in note 16.

18. CONTINGENCIES

The activities of the main subsidiary company, Martin Slowe Estates Limited includes the management of estates and as a result it holds clients' funds in trust. During the year the funds held in trust for clients have been verified to amounts owing to clients and at 30 November 2004, this amounted to £366,587 (2003 - £377,519). In the event that there is a shortfall of funds, the company would have to meet this liability.

The group is involved in litigation in respect of claims made by third parties relating to purchase of land. The group's legal advisers have confirmed that the claims have not been properly quantified or proven and are being vigorously resisted and, based on the legal advice, the directors are confident that it is unlikely that the group will incur any liability.

19. RELATED PARTY TRANSACTIONS

Related parties

Mr M Slowe, Lady Hazel Sternberg and Mrs V J Slowe are all directors of the company. Finer Homes Limited is a company controlled by Sir Sigmund Sternberg, who is also a director of the company. Sir Sigmund Sternberg Charitable Foundation is a UK registered charity whose Trustees include some of the directors of this company, namely Sir Sigmund Sternberg, Lady Hazel Sternberg, Mr M Sternberg and Mr M Slowe. Martin Slowe Children's Settlement is one of three trusts with common trustees. The three trusts in total own one-third of the equity share capital of the company.

Transactions with related parties

Included in other creditors (amounts falling due within one year), are loans to Martin Slowe Estates Limited, a subsidiary of the company, by related parties as follows:

	2004	2003
	£	£
Mr M Slowe	120,000	—
Lady Hazel Sternberg and Mrs V J Slowe (jointly)	149,111	149,111
Sir Sigmund Sternberg Charitable Foundation	500,000	—
Martin Slowe Children's Settlement	<u>1,000,000</u>	<u>—</u>

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2004

17. RELATED PARTY TRANSACTIONS *(continued)*

Included in other creditors (amounts falling due after more than one year), is an interest-free loan to Martin Slowe Estates Limited by Finer Homes Limited of £221,102 (2003 - £221,102).

Rents payable by Martin Slowe Estates Limited to Finer Homes Limited in respect of its office premises amounted to £48,000 (2003 - £48,000). Martin Slowe Estates Limited also received £18,863 (2003 - £18,789) in management and professional fees in respect of the property portfolio of Finer Homes Limited.

With effect from 29 September 2004, Martin Slowe Estates Limited leased office premises to Sir Sigmund Sternberg Charitable Foundation at a commercial rent of £11,570 per annum and the rent for the period ended 30 November 2004 amounted to £1,997. Martin Slowe Estates Limited also received £23,458 (2003 - £28,442) in management and professional fees in respect of the charity's property portfolio.

Interest paid to various related parties in respect of loans to Martin Slowe Estates Limited was as follows:

	2004 £	2003 £
Finer Homes Limited (on loans due within one year)	14,270	4,909
Mrs V J Slowe	501	-
Mr M Slowe	1,637	-
Lady Hazel Sternberg	1,003	-
Martin Slowe Children's Settlement	7,621	-
Sir Sigmund Sternberg Charitable Foundation	5,918	-

20. SHARE CAPITAL

Group and Company

Authorised share capital:

	2004 £	2003 £
284 'A' Ordinary shares of £1 each	284	284
142 'B' Ordinary shares of £1 each	142	142
	<u>426</u>	<u>426</u>

Allotted, called up and fully paid:

	2004		2003	
	No	£	No	£
'A' Ordinary shares of £1 each	284	284	284	284
'B' Ordinary shares of £1 each	142	142	142	142
	<u>426</u>	<u>426</u>	<u>426</u>	<u>426</u>

Both the 'A' and 'B' shares rank pari passu as one class for participation in the profits and assets of the company.

'A' shareholders have a right to appoint one director and 'B' shareholders have a right to appoint one director. There are currently 3 'A' directors and 2 'B' directors.

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2004

21. REVALUATION RESERVE

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Balance brought forward	13,439,299	4,992,143	9,258,994	6,637,383
Revaluation of fixed assets	1,159,048	10,089,326	1,485,000	3,867,196
Transfer to the Profit and Loss Account on realisation	(572,051)	(1,642,170)	(579,525)	(1,245,585)
Balance carried forward	<u>14,026,296</u>	<u>13,439,299</u>	<u>10,164,469</u>	<u>9,258,994</u>

22. PROFIT AND LOSS ACCOUNT

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Balance brought forward	20,726,819	16,764,902	17,717,204	14,086,028
Retained profit for the financial year	2,404,183	2,319,747	2,194,983	2,385,591
Transfer from revaluation reserve on realisation	572,051	1,642,170	579,525	1,245,585
Balance carried forward	<u>23,703,053</u>	<u>20,726,819</u>	<u>20,491,712</u>	<u>17,717,204</u>