

A & J STEPHEN (HOLDINGS) LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2004



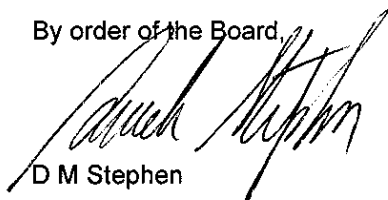
A & J STEPHEN (HOLDINGS) LIMITED

NOTICE OF MEETING

Notice is given that the Twenty Seventh Annual General Meeting of the shareholders of A & J Stephen (Holdings) Limited will be held in Stephen House, Edinburgh Road, Perth on Friday 6th August, 2004 at 10.00am for the following purposes.

1. To receive and consider the Directors' and Auditors' Reports and the Accounts for the year ended 31st March 2004.
2. To re-elect Directors.
3. To re-appoint Morris & Young, Chartered Accountants, as the Auditors of the Company and to authorise the Directors to fix their remuneration for the ensuing year.
4. To transact any other ordinary business of the Company.

By order of the Board,



D M Stephen
Director

Stephen House,
Edinburgh Road,
Perth.

30th June 2004.

Note :

A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. The Proxy need not also be a member of the Company but notification of his appointment must be made to the Company in writing not less than 48 hours before the time of the meeting.

A & J STEPHEN (HOLDINGS) LIMITED

DIRECTORS AND ADVISERS

Directors	John S Stephen Derek M Stephen Dale M Stephen Lorna Finlay John W Stephen
Secretary	John J Galbraith FCIS
Company number	57721
Registered office	Stephen House Edinburgh Road Perth
Registered auditors	Morris & Young Chartered Accountants & Registered Auditors 6 Atholl Crescent Perth PH1 5JN
Business address	Stephen House Edinburgh Road Perth
Bankers	Bank of Scotland, 10 - 16 King Edward Street, Perth. PH1 5UT.
Solicitors	Condies 2 Tay Street Perth PH1 5LJ

A & J STEPHEN (HOLDINGS) LIMITED

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A & J STEPHEN (HOLDINGS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2004

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

Directors

The following directors have held office since 1 April 2003:

John S Stephen
Derek M Stephen
Dale M Stephen
Lorna Finlay
John W Stephen

Principal activities and review of the business

The group is engaged in the business of general building contracting, principally in the field of private house building.

The directors are pleased with the result for the year and hope for continued success in the present year.

Results and dividends

The consolidated profit and loss account for the year is set out on page 5.

An interim ordinary dividend was paid amounting to £472,870. The directors do not recommend payment of a final dividend.

Market value of land and buildings

The directors are of the view that the market value of the company's land and buildings is considerably in excess of the book value in the accounts.

A & J STEPHEN (HOLDINGS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2004

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

A & J Stephen (Holdings) Limited

	Ordinary shares of £ 1 each	
	31 March 2004	1 April 2003
John S Stephen	35,421	35,421
Derek M Stephen	35,421	35,421
Dale M Stephen	59,035	59,035
Lorna Finlay	30,000	30,000
John W Stephen	23,614	23,614

A & J Stephen Limited

	Ordinary shares of £ 1 each	
	31 March 2004	1 April 2003
John S Stephen	-	-
Derek M Stephen	-	-
Dale M Stephen	-	-
John W Stephen	-	-

A & J Stephen (Builders) Ltd

	Ordinary shares of £ 1 each	
	31 March 2004	1 April 2003
John S Stephen	-	-
Derek M Stephen	-	-
Dale M Stephen	-	-
John W Stephen	-	-

Castle Homes (Scotland) Ltd

	Ordinary Shares of £ 1 each	
	31 March 2004	1 April 2003
John S Stephen	-	-
Derek M Stephen	-	-

Paul Stephen, Derek Stephen's son, holds 11,807 Ordinary shares. Joanne Stephen, Derek Stephen's daughter, holds 11,807 Ordinary shares. Brian Finlay, a director of A & J Stephen Limited and A & J Stephen (Builders) Limited and Lorna Finlay's husband, holds 29,035 Ordinary shares.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Morris & Young be reappointed as auditors of the company will be put to the Annual General Meeting.

A & J STEPHEN (HOLDINGS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2004

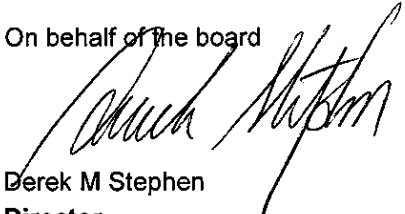
Directors' responsibilities

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 of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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. They 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.

On behalf of the board



Derek M Stephen

Director

30 June 2004

A & J STEPHEN (HOLDINGS) LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF A & J STEPHEN (HOLDINGS) LIMITED

We have audited the financial statements of A & J Stephen (Holdings) Limited on pages 5 to 20 for the year ended 31 March 2004. These financial statements have been prepared under the historical cost convention and 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 auditor's 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 on page 3 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 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.

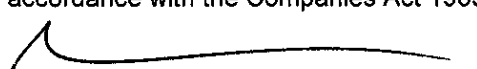
Basis of audit opinion

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 company's and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 31 March 2004 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Morris & Young

Chartered Accountants & Registered Auditors
6 Atholl Crescent
Perth
PH1 5JN



12 July 2004



A & J STEPHEN (HOLDINGS) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2004 £	2003 £
Turnover	2	18,974,770	16,581,689
Cost of sales		(13,535,770)	(11,892,172)
Gross profit		5,439,000	4,689,517
Administrative expenses		(2,608,713)	(1,961,427)
Other operating income		8,726	13,475
Operating profit		2,839,013	2,741,565
Investment income	3	66,059	40,164
Other interest receivable and similar income		126,170	92,764
Amounts written off investments	4	(30,242)	-
Interest payable and similar charges	5	(44,916)	(2,120)
Profit on ordinary activities before taxation		2,956,084	2,872,373
Tax on profit on ordinary activities	6	(860,248)	(614,030)
Profit on ordinary activities after taxation		2,095,836	2,258,343
Dividends	8	(472,870)	(361,294)
Retained profit for the year	17	1,622,966	1,897,049

The profit and loss account has been prepared on the basis that all operations are continuing operations.

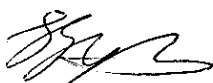
There are no recognised gains and losses other than those passing through the profit and loss account.

A & J STEPHEN (HOLDINGS) LIMITED

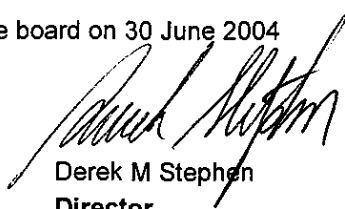
BALANCE SHEETS AS AT 31 MARCH 2004

	Notes	Group 2004 £	2003 £	Company 2004 £	2003 £
Fixed assets					
Tangible assets	9	832,654	809,860	-	-
Investments	10	2,280,648	16,741	366,620	366,620
		<u>3,113,302</u>	<u>826,601</u>	<u>366,620</u>	<u>366,620</u>
Current assets					
Stocks	11	12,454,826	10,438,545	-	-
Debtors: amounts falling due within one year	12	587,347	294,203	401,440	371,631
Debtors: amounts falling due after more than one year	12	32,515	698,385	-	-
Cash at bank and in hand		3,162,309	4,214,635	2,145,140	66,339
		<u>16,236,997</u>	<u>15,645,768</u>	<u>2,546,580</u>	<u>437,970</u>
Creditors: amounts falling due within one year	13	<u>(4,856,951)</u>	<u>(3,597,890)</u>	<u>(103,263)</u>	<u>(82,235)</u>
Net current assets		<u>11,380,046</u>	<u>12,047,878</u>	<u>2,443,317</u>	<u>355,735</u>
Total assets less current liabilities		<u>14,493,348</u>	<u>12,874,479</u>	<u>2,809,937</u>	<u>722,355</u>
Provisions for liabilities and charges	14	<u>(40,810)</u>	<u>(44,907)</u>	<u>-</u>	<u>-</u>
		<u>14,452,538</u>	<u>12,829,572</u>	<u>2,809,937</u>	<u>722,355</u>
Capital and reserves					
Called up share capital	16	236,140	236,140	236,140	236,140
Other reserves	17	105,380	105,380	105,380	105,380
Profit and loss account	17	14,111,018	12,488,052	2,468,417	380,835
Shareholders' funds - equity interests	18	<u>14,452,538</u>	<u>12,829,572</u>	<u>2,809,937</u>	<u>722,355</u>

The financial statements were approved by the board on 30 June 2004



John W Stephen
Director



Derek M Stephen
Director

A & J STEPHEN (HOLDINGS) LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

	2004		2003	
	£	£	£	£
Net cash inflow from operating activities		1,487,021		1,854,060
Returns on investments and servicing of finance				
Interest received	178,841		92,764	
Interest paid	(44,916)		(2,120)	
Dividends received	13,388		40,164	
Net cash inflow for returns on investments and servicing of finance		147,313		130,808
Taxation		(984,002)		(173,606)
Capital expenditure and financial investment				
Payments to acquire tangible assets	(390,476)		(412,693)	
Payments to acquire investments	(2,294,344)		-	
Receipts from sales of intangible assets	1,282		-	
Receipts from sales of tangible assets	134,696		768,279	
Receipts from sales of investments	195		-	
Net cash (outflow)/inflow for capital expenditure		(2,548,647)		355,586
Equity dividends paid		(472,870)		(361,294)
Net cash (outflow)/inflow before management of liquid resources and financing		(2,371,185)		1,805,554
Financing				
Capital element of hire purchase contracts	-		(1,943)	
Net cash outflow from financing		-		(1,943)
Decrease in cash in the year		(2,371,185)		1,803,611

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

1	Reconciliation of operating profit to net cash inflow from operating activities	2004		2003	
		£		£	
	Operating profit	2,839,013		2,741,565	
	Depreciation of tangible assets	232,622		234,170	
	(Loss)/profit on disposal of tangible assets	364		(566,716)	
	Profit on disposal of intangible assets	(1,282)		-	
	Increase in stocks	(2,016,281)		(1,318,015)	
	Decrease in debtors	382,335		243,118	
	Increase in creditors within one year	50,250		519,938	
	Net cash inflow from operating activities	1,487,021		1,854,060	
2	Analysis of net funds	1 April 2003	Cash flow	Other non-	31 March 2004
				cash changes	
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	4,214,635	(1,052,326)	-	3,162,309
	Bank overdrafts	(1,098,529)	(1,318,859)	-	(2,417,388)
		<u>3,116,106</u>	<u>(2,371,185)</u>	<u>-</u>	<u>744,921</u>
	Debt:				
	Net funds	<u>3,116,106</u>	<u>(2,371,185)</u>	<u>-</u>	<u>744,921</u>
3	Reconciliation of net cash flow to movement in net debt	2004		2003	
		£		£	
	(Decrease)/increase in cash in the year	(2,371,185)		1,803,611	
	Cash (inflow)/outflow from (increase)/decrease in debt	-		1,943	
	Movement in net funds in the year	(2,371,185)		1,805,554	
	Opening net funds	3,116,106		1,310,552	
	Closing net funds	744,921		3,116,106	

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 March 2004. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. The subsidiaries are A & J Stephen Limited, A & J Stephen (Builders) Limited and Castle Homes Limited. Intra-group sales and profits are eliminated fully on consolidation.

1.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.5 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	Straight line over 50 years
Plant and machinery	20% Reducing Balance
Fixtures, fittings & equipment	20 - 50 % Reducing Balance
Motor vehicles	25% Reducing Balance

1.7 Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.8 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.9 Stock

Stocks of building land, materials and short term work in progress are valued at the lower of cost and net realisable value. In this context, cost includes the direct cost of materials, labour and sub-contractors and no amount is included for attributable overheads as these are considered to be insignificant. Net realisable value comprises estimated selling price less all further costs to the point of sale. Private house building is classified as short term work in progress.

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

1 Accounting policies

1.10 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

1.11 Deferred taxation

The accounting policy in respect of deferred tax reflects the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value as the company does not intend to sell the revalued assets.

1.12 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.13 Liquid resources

Included in liquid resources are current asset investments held as readily disposable stores of value. There has been no change in the definition of liquid resources during the year.

2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Investment income	2004	2003
	£	£
Income from fixed asset investments	66,059	40,164
	<u> </u>	<u> </u>
4 Amounts written off investments	2004	2003
	£	£
Amounts written off fixed asset investments:		
- temporary diminution in value	30,242	-
	<u> </u>	<u> </u>
5 Interest payable	2004	2003
	£	£
On bank loans and overdrafts	44,916	2,120
	<u> </u>	<u> </u>

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

6 Taxation

	£	£
Domestic current year tax		
U.K. corporation tax	864,400	662,449
Adjustment for prior years	(55)	(654)
	<u>864,345</u>	<u>661,795</u>
Current tax charge		
Deferred tax		
Deferred tax charge/credit current year	(4,097)	(47,765)
	<u>860,248</u>	<u>614,030</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>2,956,084</u>	<u>2,872,373</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2003: 30.00%)	<u>886,825</u>	<u>861,712</u>
Effects of:		
Non deductible expenses	1,391	1,050
Depreciation add back	78,968	(99,764)
Capital allowances	(65,794)	(66,699)
Adjustments to previous periods	(55)	(654)
Dividends and distributions received	(4,016)	(12,049)
Other tax adjustments	(32,974)	(21,801)
	<u>(22,480)</u>	<u>(199,917)</u>
Current tax charge	<u>864,345</u>	<u>661,795</u>

7 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows:

	2004 £	2003 £
Holding company's profit for the financial year	<u>2,560,452</u>	<u>81,626</u>

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

8	Dividends				2004 £	2003 £
	Ordinary interim paid				472,870	361,294
					<u>472,870</u>	<u>361,294</u>
9	Tangible fixed assets Group					
		Land and buildings Freehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
	Cost					
	At 1 April 2003	764	1,178,500	336,652	631,347	2,147,263
	Additions	-	237,365	9,413	143,698	390,476
	Disposals	-	(210,841)	-	(108,981)	(319,822)
	At 31 March 2004	<u>764</u>	<u>1,205,024</u>	<u>346,065</u>	<u>666,064</u>	<u>2,217,917</u>
	Depreciation					
	At 1 April 2003	174	693,703	297,669	345,857	1,337,403
	On disposals	-	(111,536)	-	(73,226)	(184,762)
	Charge for the year	15	124,571	9,681	98,355	232,622
	At 31 March 2004	<u>189</u>	<u>706,738</u>	<u>307,350</u>	<u>370,986</u>	<u>1,385,263</u>
	Net book value					
	At 31 March 2004	<u>575</u>	<u>498,286</u>	<u>38,715</u>	<u>295,078</u>	<u>832,654</u>
	At 31 March 2003	590	484,797	38,993	285,480	809,860

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

10 Fixed asset investments

Group

	Listed investments £	Unlisted investments £	Total £
Cost			
At 1 April 2003	-	16,741	16,741
Additions	2,294,344	-	2,294,344
Disposals	-	(195)	(195)
At 31 March 2004	2,294,344	16,546	2,310,890
Provisions for diminution in value			
At 1 April 2003	-	-	-
Charge for the year	30,242	-	30,242
At 31 March 2004	30,242	-	30,242
Net book value			
At 31 March 2004	2,264,102	16,546	2,280,648
At 31 March 2003	-	16,741	16,741
	Market value	Directors' valuation	Total
	£	£	£
At 31 March 2004	2,330,481	-	2,330,481

Should the investments be sold at their valuation, a tax charge not exceeding £6,758 (2003 - £-) would arise.

10 Fixed asset investments

Company

	Shares in group undertakings £
Cost	
At 1 April 2003 & at 31 March 2004	366,620
At 31 March 2003	366,620

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

10 Fixed asset investments

Company	Country of registration or incorporation	Class	Shares held
Subsidiary undertakings			
A & J Stephen (Builders) Limited	Scotland	Ordinary	100
A & J Stephen Limited	Scotland	Ordinary	100
Castle Homes (Scotland) Limited	Scotland	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
A & J Stephen (Builders) Limited	General Building
A & J Stephen Limited	Land Developers
Castle Homes (Scotland) Limited	Dormant

In the directors opinion the value of the investments disclosed in the accounts is reasonable.

11 Stocks and work in progress

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Raw materials and consumables	5,918,434	5,313,467	-	-
Work in progress	6,536,392	4,825,078	-	-
Finished goods and goods for resale	-	300,000	-	-
	<u>12,454,826</u>	<u>10,438,545</u>	<u>-</u>	<u>-</u>

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

12 Debtors

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Trade debtors	345,169	158,807	-	-
Amounts owed by group undertakings	-	-	401,294	371,485
Other debtors	264,984	823,325	146	146
Prepayments and accrued income	9,709	10,456	-	-
	<u>619,862</u>	<u>992,588</u>	<u>401,440</u>	<u>371,631</u>

Amounts falling due after more than one year and included in the debtors above are:

	2004	2003	2004	2003
	£	£	£	£
Other debtors	<u>32,515</u>	<u>698,385</u>	<u>-</u>	<u>-</u>

Included in other debtors are deferred assets, being the cost of the unrealised element of house sales under the company's deferred equity scheme. The total unrealised sales value of the retained equities as at 31 March 2004 was £44,385 (2003 - £1,079,208).

13 Creditors : amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Bank loans and overdrafts	2,417,388	1,098,529	-	-
Trade creditors	905,698	968,297	-	-
Amounts owed to group undertakings	-	-	25,943	100
Corporation tax	561,798	671,846	14,179	18,994
Taxes and social security costs	167,208	154,207	62,691	62,691
Other creditors	17,179	25,723	-	-
Accruals and deferred income	787,680	679,288	450	450
	<u>4,856,951</u>	<u>3,597,890</u>	<u>103,263</u>	<u>82,235</u>

The Bank of Scotland holds a bond and floating charge over all of the assets of A & J Stephen Limited, A & J Stephen (Builders) Limited and A & J Stephen (Holdings) Limited.

In addition to the Bond and Floating Charge over all of the assets of the company, the Bank of Scotland holds a cross corporate guarantee and letters of offset incorporating all group companies.

There are also Standard Securities in favour of Douglas and Angus Estates over 6.4902 hectares at Coldstream, The Shareholding & Investment (Property) Ltd at Dronley Road, Birkhill and a standard security over the Glebe at Abernethy.

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

14 Provisions for liabilities and charges Group

	Deferred taxation £
Balance at 1 April 2003	44,907
Profit and loss account	(4,097)
Balance at 31 March 2004	<u>40,810</u>

The deferred tax liability is made up as follows:

Deferred taxation provided in the financial statements is as follows:

	Group 2004 £	2003 £	Company 2004 £	2003 £
Accelerated capital allowances	<u>40,810</u>	<u>44,907</u>	<u>-</u>	<u>-</u>

15 Pension costs

Defined contribution

The staff and work section : the company operates a defined contribuitons pension scheme. The assets of the scheme are held separately from those of the company, being invested in deferred annuity contracts issued by the Norwich Union. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pension over the employees' working life with the company.

The Company Secretary's pension: this is jointly funded by the company and the individual. The arrangement is by way of a defined contribution scheme.

The total of the group's staff contribution for the year amounted to £79,989 (2003: £66,897).

The directors pension contributions of £466,862 (2003:£662,740) are to the A & J Stephen Retirement and Death Benefit Scheme which is a self administered pension scheme set up for the benefit of the directors.

	2004 £	2003 £
Contributions payable by the company for the year	<u>546,851</u>	<u>729,637</u>

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

16 Share capital	2004	2003
	£	£
Authorised		
500,000 Ordinary shares of £1 each	500,000	500,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
236,140 Ordinary shares of £1 each	236,140	236,140
	<u> </u>	<u> </u>
17 Statement of movements on reserves		
Group		
	Other reserves	Profit and loss account
	£	£
Balance at 1 April 2003	105,380	12,488,052
Retained profit for the year	-	1,622,966
	<u> </u>	<u> </u>
Balance at 31 March 2004	105,380	14,111,018
	<u> </u>	<u> </u>
Other reserves		
Capital redemption reserve		
Balance at 1 April 2003 & at 31 March 2004	105,380	
	<u> </u>	
Company		
	Other reserves (see below)	Profit and loss account
	£	£
Balance at 1 April 2003	105,380	380,835
Retained profit for the year	-	2,087,582
	<u> </u>	<u> </u>
Balance at 31 March 2004	105,380	2,468,417
	<u> </u>	<u> </u>
Other reserves		
Capital redemption reserve		
Balance at 1 April 2003 & at 31 March 2004	105,380	
	<u> </u>	

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

18 Reconciliation of movements in shareholders' funds	2004	2003
Group	£	£
Profit for the financial year	2,095,836	2,258,343
Dividends	(472,870)	(361,294)
Net addition to shareholders' funds	1,622,966	1,897,049
Opening shareholders' funds	12,829,572	10,932,523
Closing shareholders' funds	14,452,538	12,829,572
	<u>2004</u>	<u>2003</u>
Company	£	£
Profit for the financial year	2,560,452	81,626
Dividends	(472,870)	(361,294)
Net addition to/(depletion in) shareholders' funds	2,087,582	(279,668)
Opening shareholders' funds	722,355	1,002,023
Closing shareholders' funds	2,809,937	722,355

19 Contingent liabilities

Group

There are corporate cross guarantees including offset provisions incorporating all group companies.

Company

There are contingent liabilities relating to cross corporate guarantees including offset provisions incorporating all group companies.

20 Directors' emoluments	2004	2003
	£	£
Emoluments for qualifying services	440,000	390,000
Company pension contributions to money purchase schemes	466,862	662,740
Pensions to former directors	17,824	17,179

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 6 (2003- 6).

During the year three of the directors all received remuneration of £100,000 and therefore there is no one highest paid director.

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

21 Transactions with directors

During the year a number of the directors and their families purchased consumable items, which are immaterial to the individuals concerned and the company, from A & J Stephen (Builders) Limited at market value. Brian Finlay is due the company £529 at the year end. John W Stephen is due the company £1,205 at the year end. Dale Stephen is due the company £228 at the year end.

22 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2004 Number	2003 Number
Office and Management	30	27
Building	92	96
	<u>122</u>	<u>123</u>

Employment costs

	£	£
Wages and salaries	2,539,771	2,295,494
Social security costs	241,069	214,874
Other pension costs	564,675	746,816
	<u>3,345,515</u>	<u>3,257,184</u>

23 Control

There is no ultimate controlling party as no one shareholder has more than fifty percent of the shares.

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

24 Related party transactions

Group

During the year, A & J Stephen (Builders) Limited was charged rent totalling £123,269, £35,891 of which is a creditor at the year end, for the yard, office and an industrial unit which is considered to be a fair market rent, by A & J Stephen Limited Retirement & Death Benefit Scheme, the directors pension scheme.

A & J Stephen (Builders) Limited has paid £15 for annual return filing fee and £147 of legal fees on behalf of Inch Farms Limited, a company John S Stephen, Derek Stephen and Dale Stephen are directors of. Inch Farms Limited is due A & J Stephen (Builders) Limited £550 at the year end. There has been no movement on the loan account with Elmcliff Limited a company John S Stephen, Derek Stephen, Dale Stephen and Brian Finlay are directors of. Elmcliff Limited is due A & J Stephen (Builders) Limited £111 at the year end.

Included in A & J Stephen Limited's creditors is a balance of £529 due to the A & J Stephen Limited Retirement & Death Benefit Scheme for rent received for the industrial units on behalf of the pension scheme. In debtors is a balance due by A & J Stephen Limited Retirement & Death Benefit Scheme for £29,000. There has been no movement on this during the year.

During the year A & J Stephen Limited has sold shared equity to Elmcliff Limited, a company John Stephen, Derek Stephen, Dale Stephen and Brian Finlay, directors, are also directors of for £796,530. The shared equity was valued on a discounted cashflow basis based on previous cashflows. Also during the year A & J Stephen Limited has paid funds of £425 to Elmcliff Limited. A & J Stephen Limited has paid £2,406 of stamp duty on behalf of Elmcliff Limited. These transactions have been entered into a loan account and the balance due to A & J Stephen Limited at the year end is £7,349.

Also during the year A & J Stephen Limited has received £13,388 of dividends and £6,800 of consultancy fees from F B S Realisations Limited, a company Dale Stephen a director is also a director of. There are no amounts outstanding at the year end.

No provision has been made against any of the debts due from related parties identified nor have any amounts been written off in respect of debts due to or from related parties during the year.

Company

All the relevant related party transactions are disclosed above.