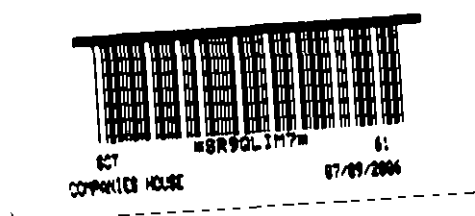


Company Registration No. 57721 (Scotland)

A & J STEPHEN (HOLDINGS) LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2006



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 Webster
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	Royal Bank of Scotland, 12 Dunkeld Road, Perth. PH1 5RB.
Solicitors	Condies 2 Tay Street Perth PH1 5LJ

A & J STEPHEN (HOLDINGS) LIMITED

CONTENTS

	Page
Directors' report	1 - 3
Independent auditors' report	4 - 5
Consolidated profit and loss account	6
Statement of recognised gains and losses	7
Balance sheets	8 - 9
Consolidated cash flow statement	10
Notes to the consolidated cash flow statement	11
Notes to the financial statements	12 - 26

A & J STEPHEN (HOLDINGS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006

The directors present their report and financial statements for the year ended 31 March 2006.

Directors

The following directors have held office since 1 April 2005:

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.

Highlights

Turnover	£17,956,971
Gross Margin	34.4%
Profit on ordinary activities before tax	£3,485,187
Shareholders' funds	£19,135,172

Overview

Turnover at just under £18 million is down on last year. This principally stems from a reduction in the number of units sold in the year due to some developments completing before new ones come on stream. Margins remain healthy and a profit on ordinary activities before taxation of £3,485,187 was achieved. As in previous years the majority of this profit was reinvested in the business and shareholders' funds now stand in excess of £19 million. In the year there was a net outflow of cash in the business, despite that liquidity remains strong. At the year end cash and short term invested capital was valued at more than £4 million. The directors believe this level of funding to be adequate to maintain the land acquisition strategy planned for the year ahead.

Outlook

The directors remain confident about the future prosperity of the Group. The buoyant house market experienced in recent years has settled down to a more sustainable level. Current market projections forecast growth of 5% in the coming year.

Our developments continue to be well received and sales remain encouraging and in line with the business plan. Our traditional brand has been augmented with the addition of 'Stephen Country Homes'. In particular the Clathymore Development of 42 prestigious houses in a rural setting has been well received by the market and will feature more prominently in next year's results.

The ongoing strategy of selective land acquisitions continues. However, we are noticing increased competition in the market which is inevitably leading to higher land valuations being paid. Despite a healthy land bank the number of active developments is down on historical levels and this is clearly impacting turnover. This anomaly stems from difficulties experienced with Scottish Water.

A & J STEPHEN (HOLDINGS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006

Employees

The group currently employ 117 employees. The directors recognise the importance of a healthy and well trained workforce. To this end they continue to invest significantly in skills and health and safety training. In addition the group continues to operate an apprentice training programme.

Results and dividends

The consolidated profit and loss account for the year is set out on page 6.

An interim ordinary dividend was paid amounting to £892,294. The directors do not recommend payment of a final dividend.

Purchase of own shares

During the year 140 Ordinary £1 shares were bought back by the company for £88.93 each. The shares were bought back to smooth the director's shareholdings. These shares were then cancelled.

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 2006	1 April 2005
John S Stephen	23,600	35,421
Derek M Stephen	23,600	35,421
Dale M Stephen	68,440	59,035
Lorna Finlay	30,000	30,000
John W Stephen	37,760	23,614

A & J Stephen Limited

	Ordinary shares of £ 1 each	
	31 March 2006	1 April 2005
John S Stephen	-	-
Derek M Stephen	-	-
Dale M Stephen	-	-
John W Stephen	-	-

A & J Stephen (Builders) Ltd

	Ordinary shares of £ 1 each	
	31 March 2006	1 April 2005
John S Stephen	-	-
Derek M Stephen	-	-
Dale M Stephen	-	-
John W Stephen	-	-

Castle Homes (Scotland) Ltd

	Ordinary Shares of £ 1 each	
	31 March 2006	1 April 2005
John S Stephen	-	-
Derek M Stephen	-	-

A & J STEPHEN (HOLDINGS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006

Paul Stephen, Derek Stephen's son, holds 11,800 Ordinary shares. Joanne Stephen, Derek Stephen's daughter, holds 11,800 Ordinary shares. Brian Finlay, a director of A & J Stephen Limited and A & J Stephen (Builders) Limited and Lorna Finlay's husband, holds 29,000 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.

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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.

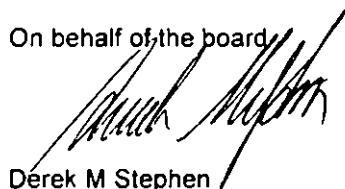
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

On behalf of the board



Derek M Stephen

Director

24 August 2006



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 for the year ended 31 March 2006 set out on pages 6 to 26. 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 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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant 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 to you whether, in our opinion, the directors' report is consistent with the financial statements, if the company has not kept proper accounting records or 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 other transactions 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 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 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.

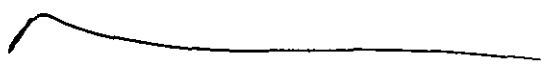
A & J STEPHEN (HOLDINGS) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF A & J STEPHEN (HOLDINGS) LIMITED

Opinion

In our opinion the financial statements:

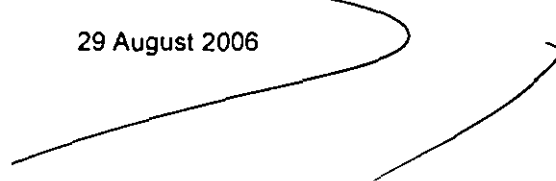
- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's and the group's affairs as at 31 March 2006 and of the group's profit for the year then ended ;
- the information given in the directors' report is consistent with the financial statements; and
- have been properly prepared in accordance with the Companies Act 1985.



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



29 August 2006



A & J STEPHEN (HOLDINGS) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

		2006	2005
	Notes	£	as restated £
Turnover	2	17,956,971	21,404,187
Cost of sales		(11,774,569)	(13,616,226)
Gross profit		6,182,402	7,787,961
Administrative expenses		(2,961,381)	(2,618,451)
Other operating income		10,791	3,500
Operating profit	3	3,231,812	5,173,010
Investment income	4	164,378	90,712
Other interest receivable and similar income		94,297	105,165
Amounts written off investments	5	-	3,057
Interest payable and similar charges	6	(5,300)	(30,964)
Profit on ordinary activities before taxation		3,485,187	5,340,980
Tax on profit on ordinary activities	7	(819,184)	(1,828,399)
Profit on ordinary activities after taxation		2,666,003	3,512,581
Dividends	9	(892,294)	(584,447)
Retained profit for the year	19	1,773,709	2,928,134

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

A & J STEPHEN (HOLDINGS) LIMITED

STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2006

	2006	2005
	£	as restated £
Profit for the financial year	2,666,003	3,512,581
Prior year adjustment	<u>(733,303)</u>	<u>(6,758)</u>
Total gains and losses recognised since last financial statements	<u>1,932,700</u>	<u>3,505,823</u>

A & J STEPHEN (HOLDINGS) LIMITED

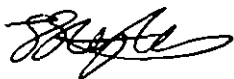
BALANCE SHEETS AS AT 31 MARCH 2006

		Group 2006	2005 as restated	Company 2006	2005
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10	947,724	1,052,346	-	-
Investments	11	2,954,566	2,815,967	366,620	366,620
		<u>3,902,290</u>	<u>3,868,313</u>	<u>366,620</u>	<u>366,620</u>
Current assets					
Stocks	12	16,745,551	14,180,267	-	-
Debtors: amounts falling due within one year	13	421,346	532,895	691,502	1,829,936
Debtors: amounts falling due after more than one year	13	38,877	38,877	-	-
Cash at bank and in hand		3,906,285	3,681,238	454,474	166,303
		<u>21,112,059</u>	<u>18,433,277</u>	<u>1,145,976</u>	<u>1,996,239</u>
Creditors: amounts falling due within one year	14	(5,664,389)	(4,829,569)	(83,431)	(77,325)
Net current assets		<u>15,447,670</u>	<u>13,603,708</u>	<u>1,062,545</u>	<u>1,918,914</u>
Total assets less current liabilities		<u>19,349,960</u>	<u>17,472,021</u>	<u>1,429,165</u>	<u>2,285,534</u>
Creditors: amounts falling due after more than one year	15	(112,575)	-	-	-
Provisions for liabilities and charges	16	(102,213)	(98,108)	-	-
		<u>19,135,172</u>	<u>17,373,913</u>	<u>1,429,165</u>	<u>2,285,534</u>
Capital and reserves					
Called up share capital	18	236,000	236,140	236,000	236,140
Other reserves	19	105,520	105,380	105,520	105,380
Profit and loss account	19	18,793,652	17,032,393	1,087,645	1,944,014
Shareholders' funds - equity interests	20	<u>19,135,172</u>	<u>17,373,913</u>	<u>1,429,165</u>	<u>2,285,534</u>

A & J STEPHEN (HOLDINGS) LIMITED

BALANCE SHEETS AS AT 31 MARCH 2006

The financial statements were approved by the board and authorised for issue on 24 August 2006



John W Stephen
Director



Derek M Stephen
Director

A & J STEPHEN (HOLDINGS) LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	2006		2005	
	£	£	£	£
Net cash inflow from operating activities		2,179,830		3,545,473
Returns on investments and servicing of finance				
Interest received	150,045		154,461	
Interest paid	(5,300)		(30,964)	
Net cash inflow for returns on investments and servicing of finance		144,745		123,497
Taxation		(1,912,956)		(1,246,105)
Capital expenditure and financial investment				
Payments to acquire tangible assets	(255,023)		(586,976)	
Payments to acquire investments	(894,599)		(1,296,731)	
Receipts from sales of intangible assets	-		2,323	
Receipts from sales of tangible assets	155,577		75,165	
Receipts from sales of investments	864,630		805,885	
Net cash outflow for capital expenditure		(129,415)		(1,000,334)
Equity dividends paid		(892,294)		(584,447)
Net cash (outflow)/inflow before management of liquid resources and financing		(610,090)		838,084
Financing				
Purchase of own shares	(12,450)		-	
Capital element of hire purchase contracts	(4,895)		-	
Net cash outflow from financing		(17,345)		-
Decrease in cash in the year		(627,435)		838,084

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

1	Reconciliation of operating profit to net cash inflow from operating activities	2006	2005
		£	£
	Operating profit	3,231,812	5,173,010
	Depreciation of tangible assets	264,530	290,253
	Loss on disposal of tangible assets	115,742	1,865
	Profit on disposal of intangible assets	-	(2,323)
	Increase in stocks	(2,565,284)	(1,725,441)
	Decrease in debtors	263,389	48,340
	Increase/(decrease) in creditors within one year	869,641	(240,231)
	Net cash inflow from operating activities	2,179,830	3,545,473

2	Analysis of net funds	1 April 2005	Cash flow	Other non-cash changes	31 March 2006
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	3,681,238	225,047	-	3,906,285
	Bank overdrafts	(2,098,233)	(852,482)	-	(2,950,715)
		<u>1,583,005</u>	<u>(627,435)</u>	<u>-</u>	<u>955,570</u>
	Finance leases	-	(171,309)	-	(171,309)
	Net funds	1,583,005	(798,744)	-	784,261

3	Reconciliation of net cash flow to movement in net debt	2006	2005
		£	£
	(Decrease)/increase in cash in the year	(627,435)	838,084
	Cash inflow from increase in debt	(171,309)	-
	Movement in net funds in the year	(798,744)	838,084
	Opening net funds	1,583,005	744,921
	Closing net funds	784,261	1,583,005

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

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 2006. 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. In previous years it included:

-legally completed house sales and

-the appropriate proportion of transactions that have been missed.

The above amounts to a change in accounting policy. The new policy is felt to be more appropriate as it accounts for sales when the house is delivered.

The adoption of the new policy requires a prior period adjustment to be made to recognise the asset which existed at the start of the financial year and which was not recognised under the old accounting policy. This has decreased the previous year current assets and retained profits by £733,303. If the previous accounting policy had been applied in the current year current assets and the profit and loss account would be increased by £522,483.

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

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

1 Accounting policies

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.

1.10 Pensions

The Group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

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.

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

3	Operating profit	2006	2005
		£	£
	Operating profit is stated after charging:		
	Depreciation of tangible assets	264,530	290,253
	Loss on disposal of tangible assets	115,742	1,865
	Auditors' remuneration (company £450; 2005: £450)	7,195	7,000
	Remuneration of auditors for non-audit work	12,880	9,205
	and after crediting:		
	Rents receivable	-	2,880
	Profit on disposal of intangible assets	-	(2,323)
		<u> </u>	<u> </u>
4	Investment income	2006	2005
		£	£
	Income from fixed asset investments	164,378	90,712
		<u> </u>	<u> </u>
5	Amounts written off investments	2006	2005
		£	£
	Amounts written off investments in prior years written back:		
	- fixed assets	-	(3,057)
		<u> </u>	<u> </u>
6	Interest payable	2006	2005
		£	£
	On bank loans and overdrafts	206	27,158
	Hire purchase interest	2,505	-
	On overdue tax	2,589	3,806
		<u> </u>	<u> </u>
		5,300	30,964
		<u> </u>	<u> </u>

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

7 Taxation	2006	2005
	£	£
Domestic current year tax		
U.K. corporation tax	821,549	1,777,860
Adjustment for prior years	(6,469)	-
Current tax charge	815,080	1,777,860
 Deferred tax		
Deferred tax charge/credit current year	4,104	50,539
	819,184	1,828,399
 Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	3,485,187	5,340,980
 Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005 - 30.00%)	1,045,556	1,602,294
Effects of:		
Non deductible expenses	2,418	1,716
Depreciation add back	114,082	77,865
Capital allowances	(91,085)	(86,018)
Adjustments to previous periods	(226,460)	219,991
Chargeable disposals	(5,625)	(2,043)
Other tax adjustments	(23,806)	(35,945)
	(230,476)	175,566
Current tax charge	815,080	1,777,860

8 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:

	2006	2005
	£	£
 Holding company's profit for the financial year	48,375	60,044

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

9 Dividends				2006	2005
				£	£
Ordinary interim paid				892,294	584,447
				<u>892,294</u>	<u>584,447</u>
10 Tangible fixed assets					
Group					
	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2005	764	1,447,186	375,031	710,516	2,533,497
Additions	-	293,414	5,152	132,661	431,227
Disposals	(764)	(805,276)	(22,564)	(209,327)	(1,037,931)
	<u>-</u>	<u>935,324</u>	<u>357,619</u>	<u>633,850</u>	<u>1,926,793</u>
At 31 March 2006	-	935,324	357,619	633,850	1,926,793
Depreciation					
At 1 April 2005	204	778,880	321,975	380,092	1,481,151
On disposals	(204)	(601,624)	(13,074)	(151,710)	(766,612)
Charge for the year	-	151,654	11,509	101,367	264,530
	<u>-</u>	<u>328,910</u>	<u>320,410</u>	<u>329,749</u>	<u>979,069</u>
At 31 March 2006	-	328,910	320,410	329,749	979,069
Net book value					
At 31 March 2006	<u>-</u>	<u>606,414</u>	<u>37,209</u>	<u>304,101</u>	<u>947,724</u>
At 31 March 2005	<u>560</u>	<u>668,306</u>	<u>53,056</u>	<u>330,424</u>	<u>1,052,346</u>

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Net book values				
At 31 March 2006	30,840	-	86,523	117,363
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation charge for the year				
31 March 2006	7,710	-	28,841	36,551
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

11 Fixed asset investments Group

	Listed investments £	Total £
Cost		
At 1 April 2005	2,815,967	2,815,967
Additions	894,599	894,599
Disposals	(756,000)	(756,000)
At 31 March 2006	2,954,566	2,954,566
At 31 March 2005	2,815,967	2,815,967

	Market value £	Total £
At 31 March 2006	3,240,709	3,240,709
At 31 March 2005	3,012,335	3,012,335

Should the investments be sold at their valuation, a tax charge not exceeding £85,843 (2005 - £58,911) would arise.

Fixed asset investments Company

	Shares in group undertakings £
Cost	
At 1 April 2005 & at 31 March 2006	366,620
At 31 March 2005	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:

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

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

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.

12 Stocks and work in progress

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Raw materials and consumables	8,240,161	6,897,474	-	-
Work in progress	8,505,390	7,282,793	-	-
	<u>16,745,551</u>	<u>14,180,267</u>	<u>-</u>	<u>-</u>

13 Debtors

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Trade debtors	108,456	283,922	-	-
Amounts owed by group undertakings	-	-	690,877	1,829,790
Corporation tax	161,699	9,859	-	-
Other debtors	177,844	248,923	625	146
Prepayments and accrued income	12,224	29,068	-	-
	<u>460,223</u>	<u>571,772</u>	<u>691,502</u>	<u>1,829,936</u>

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

	2006	2005	2006	2005
	£	£	£	£
Other debtors	<u>38,877</u>	<u>38,877</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 2006 was £50,747 (2006 - £50,747).

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

14 Creditors : amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Bank loans and overdrafts	2,950,715	2,098,233	-	-
Net obligations under finance lease and hire purchase contracts	58,734	-	-	-
Trade creditors	933,990	766,798	1,383	-
Amounts owed to group undertakings	-	-	4,917	100
Corporation tax	147,765	1,093,802	13,990	14,084
Taxes and social security costs	301,061	152,335	62,691	62,691
Other creditors	63,804	14,491	-	-
Accruals and deferred income	1,208,320	703,910	450	450
	<u>5,664,389</u>	<u>4,829,569</u>	<u>83,431</u>	<u>77,325</u>

The bank overdraft is secured by 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 Royal 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.

15 Creditors : amounts falling due after more than one year

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Net obligations under finance leases and hire purchase agreements	<u>112,575</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net obligations under finance leases and hire purchase contracts				
Repayable within one year	58,734	-	-	-
Repayable between one and five years	112,575	-	-	-
	<u>171,309</u>	<u>-</u>	<u>-</u>	<u>-</u>
Included in liabilities falling due within one year	<u>(58,734)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>112,575</u>	<u>-</u>	<u>-</u>	<u>-</u>

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

16 Provisions for liabilities and charges Group

	Deferred taxation £
Balance at 1 April 2005	98,108
Profit and loss account	4,104
	<u>102,213</u>
Balance at 31 March 2006	<u>102,213</u>

The deferred tax liability is made up as follows:

Deferred taxation provided in the financial statements is as follows:

	Group 2006 £	2005 £	Company 2006 £	2005 £
Accelerated capital allowances	16,369	39,198	-	-
Other timing differences	85,844	58,910	-	-
	<u>102,213</u>	<u>98,108</u>	<u>-</u>	<u>-</u>

17 Pension costs

Defined contribution

The staff and work section : the company operates a defined contribuitons pension scheme. The assets of the scheme are held seperately 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 £113,448 (2005: £78,707).

The directors pension contributions of £0 (2005:£286,000) 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.

	2006 £	2005 £
Contributions payable by the group for the year	<u>113,448</u>	<u>364,707</u>

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

18	Share capital	2006 £	2005 £
	Authorised		
	500,000 Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>
	Allotted, called up and fully paid		
	236,000 Ordinary shares of £1 each	<u>236,000</u>	<u>236,140</u>

During the year the company bought back 140 shares at £88.93 per share.

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

19 Statement of movements on reserves Group

	Other reserves (see below) £	Profit and loss account £
Balance at 1 April 2005	105,380	17,765,696
Prior year adjustment	-	(733,303)
Balance at 1 April 2005 as restated	105,380	17,032,393
Profit for the year	-	2,666,003
Purchase of own shares	-	(12,450)
Dividends paid	-	(892,294)
Movement during the year	140	-
Balance at 31 March 2006	105,520	18,793,652

Other reserves

Capital redemption reserve

Balance at 1 April 2005	105,380
Capital redemption reserve movement	140
Balance at 31 March 2006	105,520

Company

	Other reserves (see below) £	Profit and loss account £
Balance at 1 April 2005	105,380	1,944,014
Profit for the year	-	48,375
Purchase of own shares	-	(12,450)
Dividends paid	-	(892,294)
Movement during the year	140	-
Balance at 31 March 2006	105,520	1,087,645

Other reserves

Capital redemption reserve

Balance at 1 April 2005	105,380
Capital redemption reserve movement	140
Balance at 31 March 2006	105,520

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

20	Reconciliation of movements in shareholders' funds	2006	2005
	Group	£	£
	Profit for the financial year	2,666,003	3,512,581
	Dividends	(892,294)	(584,447)
	Purchase of own shares	(12,450)	-
	Net addition to shareholders' funds	1,761,259	2,928,134
	Opening shareholders' funds	17,373,913	14,445,779
	Closing shareholders' funds	19,135,172	17,373,913
		<u>2006</u>	<u>2005</u>
	Company	£	£
	Profit for the financial year	48,375	60,044
	Dividends	(892,294)	(584,447)
	Purchase of own shares	(12,450)	-
	Net depletion in shareholders' funds	(856,369)	(524,403)
	Opening shareholders' funds	2,285,534	2,809,937
	Closing shareholders' funds	1,429,165	2,285,534

21 Contingent liabilities

Group

There is a contingent liability relating to the guarantee given by the group to the Royal Bank of Scotland in respect of a cross corporate guarantee including offset provision incorporating all group companies.

Company

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

22	Directors' emoluments	2006	2005
		£	£
	Emoluments for qualifying services	621,000	440,000
	Company pension contributions to money purchase schemes	-	286,000
	Pensions to former directors	19,322	18,672

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 5 (2005- 5).

A & J STEPHEN (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

23 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 £37 at the year end. Derek Stephen is due the company £880 at the year end. Dale Stephen is due the company £42 at the year end. In work in progress at the year end is £1,160 for Derek Stephen and £492 for Brian Finlay.

24 Employees

Number of employees

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

	2006 Number	2005 Number
Office and Management	27	30
Building	90	91
	<u>117</u>	<u>121</u>

Employment costs

	2006 £	2005 £
Wages and salaries	3,077,223	2,616,747
Social security costs	333,279	265,392
Other pension costs	132,770	383,379
	<u>3,543,272</u>	<u>3,265,518</u>

25 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 2006

26 Related party transactions

Group

During the year, A & J Stephen (Builders) Limited was charged rent totalling £128,750, £17,500 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 £30 for annual return filing fee on behalf of Inch Farms Limited, a company John S Stephen, Derek Stephen and Dale Stephen are directors of. Inch Farms Limited have repaid £625 to A & J Stephen (Builders) Limited. There are no amounts outstanding 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.

A & J Stephen Limited Retirement & Death Benefit Scheme has paid £28,741 to A & J Stephen Limited. There are no amounts outstanding at the year end.

During the year there has been no movement on the loan account with Elmcliff Limited. The balance due to A & J Stephen Limited at the year end is £7,349.

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.