
SKELTON GROUP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2005



RAWLINSON & HUNTER

Chartered Accountants
Eagle House 110 Jermyn Street London SW1Y 6RH

SKELTON GROUP LIMITED

COMPANY INFORMATION

DIRECTORS

M J Morrison (Chairman)
D J B Moss (Managing Director)
M Hamilton
J N Burns

SECRETARY

M J Morrison

COMPANY NUMBER

3194228

REGISTERED OFFICE

104 Park Street
London
W1K 6NF

AUDITORS

Rawlinson & Hunter
Chartered Accountants & Registered Auditor
Eagle House
110 Jermyn Street
London
SW1Y 6RH

SKELTON GROUP LIMITED

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SKELTON GROUP LIMITED

DIRECTORS' REPORT For the year ended 30 June 2005

The directors present their report and the financial statements for the year ended 30 June 2005.

STATEMENT OF 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 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;
- 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 group and to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The principal activity of the company during the year was that of a holding company for subsidiaries involved in property investment and development.

Having realised significant value from selling the majority of the company's property assets towards the end of the previous financial year (2003/04), this year (2004/05) has centred on acquiring replacement investment property where the directors believe there is considerable scope, over time, to enhance values, against a background of substantial, and continuing, yield compression, making judicious stock picking more challenging.

During the year the company, through its various subsidiaries, completed on the purchase of an office development, Tileyard Studios, in Kings Cross for £18.2 million plus costs and on the purchase of Broadway Plaza, a leisure development in Birmingham, for £53.35 million plus costs. The latter is a joint venture in which the subsidiary holds a 50% interest.

Shortly after the year end completion took place on the purchase of Dolphin Quays, a retail development in Poole, for £10 million plus costs.

A decision was also taken to take advantage of an improving development market and the company recently commenced development activities through a new subsidiary company, Skelton Developments Limited. Before the year end, through its own subsidiary companies, Skelton Developments Limited completed on the acquisition of two development properties - the National Grid Building at Almondsbury, Bristol for £1.05 million plus costs and Laird House in Nottingham for £1.82 million plus costs.

The consolidated results for the group are set out page 5. The directors believe that these recent acquisitions will enable the company to continue to grow utilising its proven investment property expertise and to enhance this performance through further acquisitions in the development property market. On this basis the directors consider that the results for the year are satisfactory.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £877,615 (2004 - profit of £3,005,425).

The directors do not recommend the payment of a dividend (2004 - £40 per ordinary share).

SKELTON GROUP LIMITED

DIRECTORS' REPORT
For the year ended 30 June 2005

DIRECTORS

The directors who served during the year were:

M J Morrison (Chairman)

D J B Moss (Managing Director)

M Hamilton

J N Burns

No director had any interest in the shares of the company at any time during the year. Their interest in the share capital of the parent undertaking are disclosed in that company's accounts.

AUDITORS

The auditors, Rawlinson & Hunter, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on *8 February 2006* and signed on its behalf.



Director

SKELTON GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SKELTON GROUP LIMITED

We have audited the financial statements of Skelton Group Limited for the year ended 30 June 2005 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and company Balance Sheets and the Consolidated Cash Flow Statement and related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets 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 the company's directors are responsible for the preparation of 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 group 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 other members of 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.

SKELTON GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SKELTON GROUP LIMITED

OPINION

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group as at 30 June 2005 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Rawlinson & Hunter,

Chartered Accountants
Registered Auditor
Eagle House
110 Jermyn Street
London
SW1Y 6RH

Date: *8 February 2006*

SKELTON GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT For the year ended 30 June 2005

	Note	2005 £	2004 £
TURNOVER			
Group and share of joint ventures' turnover		879,612	4,648,344
Less: share of joint ventures' turnover		(422,691)	-
Group turnover	1,2	456,921	4,648,344
Cost of sales		(220,820)	(1,775,836)
GROSS PROFIT		236,101	2,872,508
Administrative expenses		(1,016,317)	(1,168,722)
OPERATING (LOSS)/PROFIT	3	(780,216)	1,703,786
Share of operating profit in joint ventures		422,691	-
EXCEPTIONAL ITEMS			
Net (loss)/profit on sale of tangible fixed assets	6	(62,176)	4,752,017
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		(419,701)	6,455,803
Interest receivable	7	339,300	183,057
Interest payable	8	(822,994)	(2,241,529)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(903,395)	4,397,331
TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	9	25,780	(1,391,906)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(877,615)	3,005,425
Minority interest		16	-
DIVIDENDS	10	-	(2,000,000)
(LOSS)/PROFIT RETAINED FOR THE FINANCIAL YEAR	18	£ (877,599)	£ 1,005,425

All amounts relate to continuing operations.

The notes on pages 11 to 25 form part of these financial statements.

SKELTON GROUP LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 30 June 2005

	2005 £	2004 £
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	(877,615)	3,005,425
Unrealised surplus on revaluation of tangible fixed assets (Note 18)	2,397,090	386,040
Tax charge on realisation of surplus on revaluation of properties	-	(2,635,769)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	£ 1,519,475	£ 755,696

NOTE OF HISTORICAL COST PROFITS AND LOSSES
For the year ended 30 June 2005

	2005 £	2004 £
REPORTED (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	(903,395)	4,397,331
Realisation of revaluation gains of previous periods	-	10,483,969
HISTORICAL COST (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	£ (903,395)	£ 14,881,300
HISTORICAL (LOSS)/PROFIT FOR THE YEAR RETAINED AFTER TAXATION AND DIVIDENDS	£ (877,599)	£ 8,853,625

The notes on pages 11 to 25 form part of these financial statements.

SKELTON GROUP LIMITED

CONSOLIDATED BALANCE SHEET
As at 30 June 2005

	Note	Group £	2005 Interest in Joint Venture £	Total £	2004 £
FIXED ASSETS					
Tangible fixed assets	11	21,693,345	29,800,000	51,493,345	3,018,635
Investment in joint venture	12	4,884,984	(4,884,984)	-	-
		<u>26,578,329</u>	<u>24,915,016</u>	<u>51,493,345</u>	<u>3,018,635</u>
CURRENT ASSETS					
Stocks	13	3,032,552	-	3,032,552	-
Debtors	14	1,261,611	105,502	1,367,113	154,635
Cash at bank and in hand		5,350,082	1,040,966	6,391,048	10,701,258
		<u>9,644,245</u>	<u>1,146,468</u>	<u>10,790,713</u>	<u>10,855,893</u>
CREDITORS: amounts falling due within one year	15	(1,013,602)	(2,853,984)	(3,867,586)	(2,194,032)
NET CURRENT ASSETS		<u>8,630,643</u>	<u>(1,707,516)</u>	<u>6,923,127</u>	<u>8,661,861</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>35,208,972</u>	<u>23,207,500</u>	<u>58,416,472</u>	<u>11,680,496</u>
CREDITORS: amounts falling due after more than one year	16	(23,608,966)	(23,207,500)	(46,816,466)	(1,600,000)
NET ASSETS		<u>£11,600,006</u>	<u>£ -</u>	<u>£11,600,006</u>	<u>£10,080,496</u>

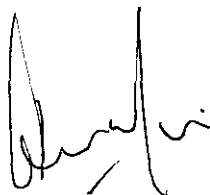
SKELTON GROUP LIMITED

CONSOLIDATED BALANCE SHEET (continued)
As at 30 June 2005

	Note	Group £	2005 Interest in Joint Venture £	Total £	2004 £
CAPITAL AND RESERVES					
Called up share capital	17	50,000	-	50,000	50,000
Revaluation reserve	18	3,189,912	-	3,189,912	792,822
Profit and loss account	18	8,360,075	-	8,360,075	9,237,674
SHAREHOLDERS' FUNDS -					
ALL EQUITY	19	11,599,987	-	11,599,987	10,080,496
MINORITY INTERESTS - EQUITY		19	-	19	-
		<u>£11,600,006</u>	<u>£</u>	<u>£11,600,006</u>	<u>£10,080,496</u>

The financial statements were approved by the board on 8 February 2006 and signed on its behalf.

Director



The notes on pages 11 to 25 form part of these financial statements.

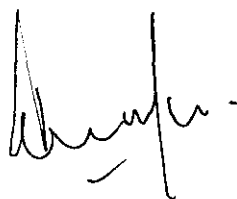
SKELTON GROUP LIMITED

COMPANY BALANCE SHEET As at 30 June 2005

			2005		2004
	Note	£	£	£	£
FIXED ASSETS					
Tangible fixed assets	11		71,556		18,635
Investments	12		1,373		1,206
			<u>72,929</u>		<u>19,841</u>
CURRENT ASSETS					
Debtors	14	4,800,421		768,798	
Cash at bank and in hand		4,030,291		10,435,452	
		<u>8,830,712</u>		<u>11,204,250</u>	
CREDITORS: amounts falling due within one year	15	(76,652)		(2,334,340)	
NET CURRENT ASSETS			<u>8,754,060</u>		<u>8,869,910</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>£ 8,826,989</u>		<u>£ 8,889,751</u>
CAPITAL AND RESERVES					
Called up share capital	17		50,000		50,000
Profit and loss account	18		8,776,989		8,839,751
SHAREHOLDERS' FUNDS - All Equity	19		<u>£ 8,826,989</u>		<u>£ 8,889,751</u>

The financial statements were approved by the board on 8 February 2006 and signed on its behalf.

Director



The notes on pages 11 to 25 form part of these financial statements.

SKELTON GROUP LIMITED

CASH FLOW STATEMENT For the year ended 30 June 2005

	Note	2005 £	2004 £
Net cash flow from operating activities	20	(4,091,322)	530,539
Returns on investments and servicing of finance	21	(14,659)	(2,058,472)
Taxation		(1,976,775)	(2,043,000)
Capital expenditure and financial investment	21	(18,761,903)	49,642,775
Acquisitions and disposals	21	(2,400,000)	-
Equity dividends paid		-	(2,000,000)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(27,244,659)	44,071,842
Financing	21	21,893,483	(33,800,000)
(DECREASE)/INCREASE IN CASH IN THE YEAR		£ (5,351,176)	£ 10,271,842

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/FUNDS For the year ended 30 June 2005

	2005 £	2004 £
(Decrease)/Increase in cash in the year	(5,351,176)	10,271,842
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(21,893,483)	33,800,000
MOVEMENT IN NET DEBT IN THE YEAR	(27,244,659)	44,071,842
Net funds/(debt) at 1 July 2004	9,101,258	(34,970,584)
NET (DEBT)/FUNDS AT 30 JUNE 2005	£(18,143,401)	£ 9,101,258

The notes on pages 11 to 25 form part of these financial statements.

SKELTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 30 June 2005**

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold investment properties and in accordance with applicable accounting standards.

1.2 Basis of consolidation

The financial statements consolidate the accounts of Skelton Group Limited and all of its subsidiary undertakings.

No profit and loss account is prepared for the company, as permitted by section 230 of the Companies Act 1985. The company incurred a loss for the year of £62,762 (2004 - profit of £10,817,757).

1.3 Turnover

Turnover represents rental income, service charges, recharged expenses and consultancy fees receivable net of VAT, in respect of the period.

1.4 Freehold investment properties

Freehold investment properties are accounted for in accordance with SSAP19 as follows.

- i) The investment properties are stated at open market value and are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, except to the extent of any permanent impairment in value below cost, which is taken to the profit and loss account; and
- ii) No depreciation or amortisation is provided in respect of freehold investment properties.

Compliance with SSAP19 "Accounting for Investment Properties" requires a departure from the Companies Act 1985 relating to depreciation.

The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP19. The directors consider that, as the properties are not held for consumption but for investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP19 in order to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the directors consider that the amount, which might otherwise have been shown, cannot be separately identified or quantified.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Motor vehicles	-	25%	per annum straight line
Office equipment	-	25%	per annum straight line

SKELTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 30 June 2005**

1. ACCOUNTING POLICIES (continued)

1.6 Stocks and work in progress

Stocks are stated at the lower of cost and net open market value.

Net open market value is based on the estimated open market value of the freehold development properties assuming a willing vendor and an independent buyer, less any further development or enhancement costs required and any costs of disposal.

1.7 Investments

(i) Subsidiary Undertakings

Investments in subsidiaries are valued at cost less provision for permanent impairment, if any.

(ii) Joint Venture Undertakings

Investments in joint ventures state the group's share of net assets. The group's share of the profits or losses of the joint ventures is included in the consolidated profit and loss account using the equity accounting basis.

1.8 Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for timing differences arising on revaluations of fixed assets which are not intended to be sold and gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

2. TURNOVER

An analysis of turnover by class of business is as follows:

	2005 £	2004 £
Rental income	450,506	3,020,135
Management fees	-	1,100,000
Recharged expenses	6,415	60,948
Service charges	-	427,036
Consultancy fees	-	40,225
	<hr/>	<hr/>
	£ 456,921	£ 4,648,344
	<hr/>	<hr/>

All turnover arose within the United Kingdom.

SKELTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2005

3. OPERATING (LOSS)/PROFIT

The operating (loss) / profit is stated after charging:

	2005 £	2004 £
Depreciation of tangible fixed assets:		
- owned by the company	25,052	21,959
Auditors' remuneration - audit	52,180	23,000
- other services	-	7,750
	<u>77,232</u>	<u>52,709</u>

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2005 £	2004 £
Wages and salaries	523,900	758,958
Social security costs	61,685	96,566
	<u>£ 585,585</u>	<u>£ 855,524</u>

The average monthly number of employees during the year was as follows:

	2005 No.	2004 No.
Directors	4	4
Administration	2	3
	<u>6</u>	<u>7</u>

5. DIRECTORS' REMUNERATION

	2005 £	2004 £
Emoluments	£ 292,250	£ 504,625

The highest paid director received remuneration of £246,000 (2004 - £447,250).

SKELTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

6. EXCEPTIONAL ITEMS

	2005 £	2004 £
(Loss)/profit on disposal of freehold investment properties	£ <u>(62,176)</u>	£ <u>4,752,017</u>

The exceptional item represents additional disposal costs of the sale of the group's interest in certain freehold investment properties in the prior year.

7. INTEREST RECEIVABLE

	2005 £	2004 £
Share of joint ventures' interest receivable	2,476	-
Bank interest receivable	336,824	183,057
	<u>£ 339,300</u>	<u>£ 183,057</u>

8. INTEREST PAYABLE

	2005 £	2004 £
On bank loans and overdrafts	363,988	1,573,324
On other loans	-	594,055
On loans from related undertakings	115,483	-
Share of joint ventures' interest payable	337,273	-
Other interest payable	6,250	74,150
	<u>£ 822,994</u>	<u>£ 2,241,529</u>

9. TAXATION

	2005 £	2004 £
Analysis of tax (credit)/charge in year		
UK corporation tax charge on profits of the year	-	1,391,906
Adjustments in respect of prior periods	(25,780)	-
	<u>£ (25,780)</u>	<u>£ 1,391,906</u>

SKELTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

9. TAXATION (continued)**Factors affecting tax charge for year**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applicable to the group (30%). The differences are explained below:

	2005 £	2004 £
(Loss)/profit on ordinary activities before tax	<u>(903,395)</u>	<u>4,397,331</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004 - 30%)	(271,019)	1,319,199
Effects of:		
Expenses not deductible for taxation purposes	10,573	31,393
Adjustment in respect of prior period	(25,780)	-
Difference between capital allowances for the period and depreciation	810	933
Utilisation of tax losses	-	(16,957)
Effect of capital disposals	-	2,695,288
Tax losses carried forward	259,636	-
Tax charge dealt with in the Statement of Total Recognised Gains and Losses	-	(2,635,769)
Marginal rate relief	-	(2,181)
	<u>£ (25,780)</u>	<u>£ 1,391,906</u>

Factors that may affect future tax charges

The group has taxation losses of some £798,000 available for offset against future profits.

10. DIVIDENDS

	2005 £	2004 £
Interim dividends paid	<u>£ -</u>	<u>£ 2,000,000</u>

No dividend has been declared in the year (2004 - £40 per ordinary share).

SKELTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2005

11. TANGIBLE FIXED ASSETS

Group	Freehold investment properties £	Motor vehicles £	Office equipment £	Total £
Cost or valuation				
At 1 July 2004	3,000,000	-	62,010	3,062,010
Additions	18,533,011	146,266	20,485	18,699,762
At 30 June 2005	21,533,011	146,266	82,495	21,761,772
Depreciation				
At 1 July 2004	-	-	43,375	43,375
Charge for the year	-	8,525	16,527	25,052
At 30 June 2005	-	8,525	59,902	68,427
Net book value				
At 30 June 2005	£21,533,011	£ 137,741	£ 22,593	£21,693,345
At 30 June 2004	£ 3,000,000	£ -	£ 18,635	£ 3,018,635

The market value of the freehold investment properties was considered by the directors on 30 June 2005 and it was their opinion that this amount was not significantly different to the carrying value of the freehold investment properties in these financial statements at that date.

The carrying value, on a historic cost basis, of the freehold investment properties was £20,740,189 (2004 - £2,207,178).

SKELTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

11. TANGIBLE FIXED ASSETS (continued)

Company	Motor vehicles £	Furniture, fittings and equipment £	Total £
Cost			
At 1 July 2004	-	62,010	62,010
Additions	59,661	12,392	72,053
	<hr/>	<hr/>	<hr/>
At 30 June 2005	59,661	74,402	134,063
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 July 2004	-	43,375	43,375
Charge for the year	3,110	16,022	19,132
	<hr/>	<hr/>	<hr/>
At 30 June 2005	3,110	59,397	62,507
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June 2005	£ 56,551	£ 15,005	£ 71,556
	<hr/>	<hr/>	<hr/>
At 30 June 2004	£ -	£ 18,635	£ 18,635
	<hr/>	<hr/>	<hr/>

SKELTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

12. FIXED ASSET INVESTMENTS

Group

Investment in Joint Venture

Additional disclosures are given in respect of Broadway Plaza 2005 Estate Company, which exceeds certain thresholds under FRS 9 Associates and Joint Ventures' as follows:

	30 June 2005 £
Share of gross assets	
Share of fixed assets	29,800,000
Share of current assets	1,146,468
	<u>£ 30,946,468</u>
Share of gross liabilities	
Liabilities due within one year	(2,853,984)
Liabilities due after more than one year	(23,207,500)
	<u>£ (26,061,484)</u>
Share of net assets	<u>£ 4,884,984</u>
Share of Joint Venture entity results	
	30 June 2005 £
Turnover	£ 422,691
	<u>£ 422,691</u>
Profit before taxation	87,894
Taxation	-
Profit after taxation	<u>£ 87,894</u>

SKELTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2005

12. FIXED ASSET INVESTMENTS (continued)

Company	Share in group undertakings £
Cost or valuation	
At 1 July 2004	1,206
Additions	167
At 30 June 2005	<u>£ 1,373</u>

Fixed asset investments represent:

100% ordinary shareholdings in Skelton Watford Limited, Skelton Chippenham Limited, Skelton (L&C) Investments Limited, Skelton Birmingham Limited (formerly Skelton Projects (Stoke) Limited), Skelton Developments (Poole) Limited and Skelton Kings Cross Limited.

80% ordinary shareholdings in Skelton Developments Limited, Skelton Developments (Almondsbury) Limited and Skelton Developments (Nottingham) Limited. The shareholdings in Skelton Developments (Almondsbury) Limited and Skelton Developments (Nottingham) Limited are held indirectly through Skelton Developments Limited.

85% ordinary shareholding in Skelton Management Services Limited.

All the above subsidiary undertakings are registered in England and Wales and the principal activity of all the companies during the year was that of property investment.

13. STOCKS

	<u>Group</u>		<u>Company</u>	
	2005	2004	2005	2004
	£	£	£	£
Freehold development properties	<u>£ 3,032,552</u>	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>

14. DEBTORS

	<u>Group</u>		<u>Company</u>	
	2005	2004	2005	2004
	£	£	£	£
Due after more than one year				
Amounts owed by group undertakings	-	-	816,836	737,616
Due within one year				
Trade debtors	413,026	72,542	-	-
Amounts owed by group undertakings	-	-	3,896,522	-
Other debtors	262,484	17,061	58,392	8,388
Prepayments and accrued income	586,101	65,032	28,671	22,794
	<u>£ 1,261,611</u>	<u>£ 154,635</u>	<u>£ 4,800,421</u>	<u>£ 768,798</u>

SKELTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2005

15. CREDITORS:
Amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	2005	2004	2005	2004
	£	£	£	£
Trade creditors	374,895	59,646	10,757	19,099
Amounts owed to group undertakings	498	499	8,573	2,215,623
Corporation tax	-	1,984,675	-	14,926
Social security and other taxes	33,016	53,175	22,092	53,792
Other creditors	98,756	-	-	-
Accruals and deferred income	506,437	96,037	35,230	30,900
	<u>£ 1,013,602</u>	<u>£ 2,194,032</u>	<u>£ 76,652</u>	<u>£ 2,334,340</u>

Amounts owed to group undertakings represent £498 (2004 - £499) due to Skelton Holdings Limited the ultimate parent company.

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

	<u>Group</u>		<u>Company</u>	
	2005	2004	2005	2004
	£	£	£	£
Bank loans	17,413,000	1,600,000	-	-
Other loans	6,080,483	-	-	-
Accruals and deferred income	115,483	-	-	-
	<u>£ 23,608,966</u>	<u>£ 1,600,000</u>	<u>£ -</u>	<u>£ -</u>

Included within the above are amounts falling due as follows:

	<u>Group</u>		<u>Company</u>	
	2005	2004	2005	2004
	£	£	£	£
Between one and two years				
Bank loans	1,600,000	-	-	-
Other loans	1,510,483	-	-	-
Accruals and deferred income	12,743	-	-	-
	<u>1,813,000</u>	<u>1,600,000</u>	<u>-</u>	<u>-</u>
Between two and five years				
Bank loans	1,813,000	1,600,000	-	-
	<u>1,813,000</u>	<u>1,600,000</u>	<u>-</u>	<u>-</u>
Over five years				
Bank loans	14,000,000	-	-	-
Other loans	4,570,000	-	-	-
Accruals and deferred income	102,740	-	-	-
	<u>14,672,740</u>	<u>-</u>	<u>-</u>	<u>-</u>

SKELTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2005

16. CREDITORS:

Amounts falling due after more than one year (continued)

Creditors include amounts not wholly repayable within 5 years as follows:

	<u>Group</u>		<u>Company</u>	
	2005	2004	2005	2004
	£	£	£	£
Repayable by instalments	1,800,000	-	-	-
Repayable other than by instalments	16,872,740	-	-	-
	<u>£ 18,672,740</u>	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>

The bank loans are secured by a charge over the assets of the group.

Interest is charged on £1,600,000 (2004 - £1,600,000) of the bank loans at a rate of 1.5% above the bank's cost of fixed rate funding but has been capped at a rate of 7% per annum.

Interest is charged on £1,813,000 (2004 - £nil) of the bank loans at a rate of 2% above LIBOR per annum.

Interest is charged on £14,000,000 (2004 - £nil) of the bank loans at a rate of 1.35% above LIBOR payable quarterly.

The other loans were from Bride Parks Industrial Limited, a related company, and were unsecured. During the year, interest was charged at 5% above Coutts & Co bank base rate per annum on £4,672,740 of the other loans and at 10% per annum on £1,510,483 of the other loans.

The accrual represents the interest payable for the year on the loans from Bride Parks Industrial Limited.

17. SHARE CAPITAL

	2005	2004
	£	£
Authorised, allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	<u>£ 50,000</u>	<u>£ 50,000</u>

18. RESERVES

	Revaluation reserve	Profit and loss account
	£	£
Group		
At 1 July 2004	792,822	9,237,674
Loss for the year	-	(877,599)
Surplus on revaluation of Investment Property held in Joint Venture investment	2,397,090	-
At 30 June 2005	<u>£ 3,189,912</u>	<u>£ 8,360,075</u>

SKELTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2005

18. RESERVES (continued)

	Profit and loss account £
Company	
At 1 July 2004	8,839,751
Loss for the year	(62,762)
	<u> </u>
At 30 June 2005	£ 8,776,989
	<u> </u>

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Group		
(Loss)/profit for the year	(877,599)	3,005,425
Dividend	-	(2,000,000)
	<u> </u>	<u> </u>
	(877,599)	1,005,425
Other recognised gains and losses during the year	-	386,040
Share of joint venture revaluation of investment property	2,397,090	-
Tax on realisation of investment property valuation	-	(2,635,769)
	<u> </u>	<u> </u>
	1,519,491	(1,244,304)
Opening shareholders' funds	10,080,496	11,324,800
	<u> </u>	<u> </u>
Closing shareholders' funds	£ 11,599,987	£ 10,080,496
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	2005	2004
	£	£
Company		
(Loss)/profit for the year	(62,762)	10,817,757
Dividends	-	(2,000,000)
	<u> </u>	<u> </u>
	(62,762)	8,817,757
Opening shareholders' funds	8,889,751	71,994
	<u> </u>	<u> </u>
Closing shareholders' funds	£ 8,826,989	£ 8,889,751
	<u> </u>	<u> </u>

The company has taken advantage of the exemption contained within section 230 of the Companies Act 1985 not to present its own profit and loss account.

The loss for the year dealt with in the accounts of the company was £62,762 (2004 - profit of £10,817,757).

SKELTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2005

20. NET CASH FLOW FROM OPERATING ACTIVITIES

	2005 £	2004 £
Operating (loss)/profit	(780,216)	1,703,786
Depreciation of tangible fixed assets	25,052	21,959
Profit on disposal of tangible fixed assets (non exceptional)	-	(925)
Increase in stocks	(3,032,552)	-
(Increase)/decrease in debtors	(1,094,816)	2,676,658
Increase/(decrease) in creditors	791,210	(3,870,939)
NET CASH (OUTFLOW)/INFLOW FROM OPERATIONS	£ (4,091,322)	£ 530,539

21. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2005 £	2004 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	342,544	183,057
Interest paid	(357,203)	(2,241,529)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	£ (14,659)	£ (2,058,472)

	2005 £	2004 £
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	(18,699,762)	(120,075)
Sale of tangible fixed assets	(62,176)	49,762,850
Investment by minority interest shareholders	35	-
NET CASH (OUTFLOW)/INFLOW FROM CAPITAL EXPENDITURE	£ (18,761,903)	£ 49,642,775

	2005 £	2004 £
ACQUISITIONS AND DISPOSALS		
Purchase of interest in joint venture	£ (2,400,000)	£ -

SKELTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2005

21. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT (continued)

	2005 £	2004 £
FINANCING		
New secured bank loans	15,813,000	-
Repayment of loans	-	(24,335,000)
Other new loans	6,080,483	-
Repayment of other loans	-	(9,465,000)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING	£ 21,893,483	£(33,800,000)

22. ANALYSIS OF CHANGES IN NET DEBT

	1 July 2004 £	Cash flow £	Other non-cash changes £	30 June 2005 £
Cash at bank and in hand:	10,701,258	(5,351,176)	-	5,350,082
DEBT :				
Debts falling due after more than one year	(1,600,000)	(21,893,483)	-	(23,493,483)
NET FUNDS/(DEBT)	£ 9,101,258	£ (27,244,659)	£ -	£ (18,143,401)

23. RELATED PARTY TRANSACTIONS

The group was charged interest in respect of the loans from Bridge Parks Industrial Limited as detailed below

	2005 £	2004 £
Interest	115,483	593,875

The group recharged costs to Yuills Limited of £5,561 (2004 - £9,503) and Bride Parks Group Limited of £854 (2004 - £30,722), both are subsidiary undertakings of Glenfinnan Properties Limited. The group was charged rent of £52,500 (2004 - £61,875), accounting fees of £98,240 (2004 - £68,600) and loan guarantee fees of £nil (2004 - £13,770) by Yuills Limited. In addition, Yuills Limited recharged overheads of £5,048 (2004 - £1,650) to the group.

In the prior year, Bride Parks Industrial Limited forgave repayment of part of its loan balance with the group amounting to £250,000.

Details of trading balances owed and owing by related companies can be found in the debtors and creditors notes respectively.

SKELTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

24. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

Skelton Holdings Limited had a 100% interest in the equity of Skelton Group Limited at 30th June 2005.

The directors regard Skelton Holdings Limited as the ultimate parent company. The issued share capital of Skelton Holdings Limited is held by two parties equally, Glenfinnan Properties Limited (incorporated in Bermuda) and Mr D J B Moss, the Managing Director.