
SKELTON GROUP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

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COMPANIES HOUSE

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)
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 2007

The directors present their report and the financial statements for the year ended 30 June 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

In determining how amounts are presented within items in the profit and loss account and balance sheet, the directors have had regard to the substance of the reported transactions or arrangements, in accordance with generally accepted accounting principles or practice.

So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

PRINCIPAL ACTIVITIES 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.

The year to 30 June 2007 has been another successful one for the company and its subsidiaries. At the year end, the net assets of the company amounted to £11 million reflecting an increase of £5 million over the prior year after the receipt of a dividend from the company's subsidiary, Skelton Birmingham Limited, of £3.8 million.

During the year, Skelton Birmingham Limited disposed of its interest in Broadway Plaza for a historic cost pre-tax profit in excess of £6 million. Following the year end, Skelton Kings Cross Limited, the company's remaining active subsidiary, entered into a contract to sell its interest in Tileyard Studios for cash consideration of £22.37 million.

As a consequence of what the company perceived as unsustainable market conditions the company has sought to sell its assets over the past year, with the disposal by Skelton Kings Cross Limited of Tileyard Studios completing this strategy.

SKELTON GROUP LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2007**

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £4,867,771 (2006 - £3,862,567)

The directors do not recommend the payment of a dividend (2006 - £6,600,000)

DIRECTORS

The directors who served during the year were

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

AUDITORS

The auditors, Rawlinson & Hunter, are deemed to be reappointed in accordance with section 386 of the Companies Act 1985 by virtue of an elective resolution passed by the members on 7 August 1997

This report was approved by the board on 07 NOV 2007 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 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared in accordance with 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Rawlinson & Hunter,

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

Date 7 November 2007

SKELTON GROUP LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 £	2006 £
TURNOVER	1,2	962,500	1,275,128
Administrative expenses		(203,823)	(902,856)
OPERATING PROFIT	3	758,677	372,272
Income from other fixed asset investments	8	3,847,508	3,434,775
Interest receivable		399,587	98,431
Interest payable	6	(30,672)	(42,911)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,975,100	3,862,567
Tax on profit on ordinary activities	7	(107,329)	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	13	£ 4,867,771	£ 3,862,567

All amounts relate to continuing operations

There were no recognised gains and losses for 2007 or 2006 other than those included in the profit and loss account

The notes on pages 7 to 13 form part of these financial statements

SKELTON GROUP LIMITED

**BALANCE SHEET
AS AT 30 JUNE 2007**

	Note	2007 £	2006 £
FIXED ASSETS			
Investments	8	205	1,293
CURRENT ASSETS			
Debtors amounts falling due after more than one year	9	-	4,979,167
Debtors amounts falling due within one year	9	1,363,713	131,522
Cash at bank		9,885,381	4,220,704
		<u>11,249,094</u>	<u>9,331,393</u>
CREDITORS: amounts falling due within one year	10	<u>(291,972)</u>	<u>(1,280,219)</u>
NET CURRENT ASSETS		<u>10,957,122</u>	<u>8,051,174</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,957,327</u>	<u>8,052,467</u>
CREDITORS: amounts falling due after more than one year	11	<u>-</u>	<u>(1,962,911)</u>
NET ASSETS		<u><u>£10,957,327</u></u>	<u><u>£ 6,089,556</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	50,000	50,000
Profit and loss account	13	10,907,327	6,039,556
SHAREHOLDERS' FUNDS - All equity	14	<u><u>£10,957,327</u></u>	<u><u>£ 6,089,556</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

07 NOV 2007

Director

The notes on pages 7 to 13 form part of these financial statements

SKELTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1 ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 Cash flow

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

1.3 Turnover

Turnover represents the value of management services and recharged expenses receivable, net of Value Added Tax, in respect of the period.

1.4 Investments

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

1.5 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are discounted, where material.

2. TURNOVER

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

	2007 £	2006 £
Management charges	925,000	1,175,000
Recharged expenses	37,500	100,128
	<u>£ 962,500</u>	<u>£ 1,275,128</u>
All turnover arose within the United Kingdom		

SKELTON GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

3. OPERATING PROFIT

The operating profit is stated after charging

	2007 £	2006 £
Depreciation of tangible fixed assets - owned by the company	-	11,186
Auditors' remuneration	20,475	43,270
	<u>20,475</u>	<u>43,270</u>

The auditors' remuneration consists of £6,300 (2006 - £6,000) in respect of the company and £14,175 (2006 - £37,270) in respect of the company's three (average 2006 - nine) subsidiaries and, in the prior year, the consolidated financial statements

4 STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2007 £	2006 £
Wages and salaries	-	447,254
Social security costs	-	58,527
	<u>£ -</u>	<u>£ 505,781</u>

The average monthly number of employees, including the directors, during the year was as follows

	2007 No.	2006 No
Directors	3	4
Administration	-	4
	<u>3</u>	<u>8</u>

5. DIRECTORS' REMUNERATION

	2007 £	2006 £
Emoluments	£ -	£ 239,500
	<u>£ -</u>	<u>£ 239,500</u>

The highest paid director received remuneration of £Nil (2006 - £205,750)

SKELTON GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

6. INTEREST PAYABLE

	2007 £	2006 £
On bank loans and overdrafts	12	-
On loans from related undertakings	30,660	42,911
	<u>£ 30,672</u>	<u>£ 42,911</u>

7. TAXATION

	2007 £	2006 £
UK corporation tax charge on profits for the year	<u>£ 107,329</u>	<u>£ -</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%) The differences are explained below

	2007 £	2006 £
Profit on ordinary activities before tax	<u>£ 4,975,100</u>	<u>£ 3,862,567</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 - 30%)	1,492,530	1,158,770
Effects of.		
Expenses not deductible for tax purposes	1,538	4,014
Difference between capital allowances for period and depreciation	-	(1,085)
Utilisation of tax losses	-	(131,267)
Other non taxable income	(1,154,252)	(1,030,432)
Group relief received	(232,487)	-
Current tax charge for the year (see note above)	<u>£ 107,329</u>	<u>£ -</u>

Factors that may affect future tax charges

There are no factors affecting future tax charges

SKELTON GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

8. INVESTMENTS

	Shares in group under- takings £
Cost or valuation	
At 1 July 2006	1,293
Disposals in the year	(1,088)
	<hr/>
At 30 June 2007	£ 205
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Subsidiary undertakings

At the year end, the investments represent the following wholly owned subsidiary undertakings of the company, which are all registered within England and Wales, and whose principal activity is property investment

Skelton Kings Cross Limited
Skelton Watford Limited
Skelton Birmingham Limited

The aggregate of the share capital and reserves as at 30 June 2007 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows

	Aggregate of share capital and reserves £	Profit/(loss) for period £
Skelton Kings Cross Limited	1,465,136	(793,953)
Skelton Watford Limited	2	47,508
Skelton Birmingham Limited	100,114	(666,075)
	<hr/>	<hr/>

During the year, the company disposed of its 100% interest in Skelton Poole Limited for cash consideration of £1, being the par value of the shares held, resulting in neither a profit or loss on disposal. In addition, the company's subsidiaries, Skelton Chippenham Limited, Skelton (L&C) Investments Limited and Skelton Management Services Limited, were dissolved during the year resulting in a loss on disposal of £1,087.

Income from fixed asset investments

During the year, the company received dividends from its subsidiaries, Skelton Birmingham Limited and Skelton Watford Limited, of £3,800,000 and £47,508 respectively. In the prior year, the company received dividends from its subsidiaries, Skelton Poole Limited and Skelton Watford Limited, of £3,300,346 and £134,429 respectively.

SKELTON GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

9 DEBTORS

	2007 £	2006 £
Due after more than one year		
Amounts owed by group undertakings (Note 16)	£ -	£ 4,979,167
	<u> </u>	<u> </u>
Due within one year		
Trade debtors	-	106,948
Amounts owed by group undertakings (Note 16)	1,343,801	-
Other debtors	-	11,935
Prepayments and accrued income	19,912	12,639
	<u>£ 1,363,713</u>	<u>£ 131,522</u>

Amounts owed by group undertakings are unsecured and interest free £1,309,694 (2006 - £4,979,167) is not due for repayment until after the investment property held by Skelton Kings Cross Limited, a subsidiary undertaking, has been sold, which is expected to be within the next twelve months, and the balance of £34,107 (2006 - £Nil) is repayable on demand

10. CREDITORS:

Amounts falling due within one year

	2007 £	2006 £
Trade creditors	3,908	34,119
Amounts owed to group undertakings (Note 16)	100,612	1,108,312
Amounts owed to related undertakings (Note 16)	-	50,294
Corporation tax	107,692	363
Social security and other taxes	49,760	35,557
Other creditors	-	26,074
Accruals and deferred income	30,000	25,500
	<u>£ 291,972</u>	<u>£ 1,280,219</u>

Amounts owed to group and related undertakings are unsecured, interest free and repayable on demand

11. CREDITORS

Amounts falling due after more than one year

	2007 £	2006 £
Amounts owed to related undertakings (Note 16)	£ -	£ 1,962,911
	<u> </u>	<u> </u>

SKELTON GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

11. CREDITORS.

Amounts falling due after more than one year (continued)

Amounts owed to related undertakings consist of a loan of £Nil (2006 - £1,920,000) and accrued interest payable of £Nil (2006 - £42,911) due to Bride Parks Industrial Limited

The loan, which was repaid during the year, was unsecured and bore interest at 9.5% per annum

12. SHARE CAPITAL

	2007 £	2006 £
Authorised, allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	£ 50,000	£ 50,000

13. RESERVES

	Profit and loss account £
At 1 July 2006	6,039,556
Profit for the year	4,867,771
At 30 June 2007	£10,907,327

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
Opening shareholders' funds	6,089,556	8,826,989
Profit for the year	4,867,771	3,862,567
Dividends (Note 15)	-	(6,600,000)
Closing shareholders' funds	£ 10,957,327	£ 6,089,556

15. DIVIDENDS

	2007 £	2006 £
Dividends paid on equity capital (Note 14)	£ -	£ 6,600,000

SKELTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

16. RELATED PARTY TRANSACTIONS

Details of balances and transactions with related parties are shown below

	Year ended 30 June 2007 Income £	Year ended 30 June 2007 Expenses £	30 June 2007 Debtors £	30 June 2007 Creditors £
Skelton Holdings Limited	-	-	-	(498)
Skelton Watford Limited	-	-	34,107	-
Skelton Kings Cross Limited	-	-	1,309,694	-
Skelton Birmingham Limited	925,000	-	-	(100,114)
CEREP Development Group Limited (formerly Carlyle Skelton Development Group Limited)	-	65,059	-	-
	<u>£ 925,000</u>	<u>£ 65,059</u>	<u>£ 1,343,801</u>	<u>£ (100,612)</u>

	Year ended 30 June 2006 Income £	Year ended 30 June 2006 Expenses £	30 June 2006 Debtors £	30 June 2006 Creditors £
Bnde Parks Industrial Limited	-	(42,911)	-	(1,962,911)
Skelton Holdings Limited	-	-	-	(498)
CEREP Development Group Limited (formerly Carlyle Skelton Development Group Limited)	81,334	(21,861)	-	(20,502)
Skelton Developments (Almondsbury) Limited	-	-	-	(13,868)
Skelton Developments (Nottingham) Limited	-	-	-	(15,924)
Skelton Poole Limited	925,000	-	-	(988,309)
Skelton Watford Limited	250,000	-	-	(119,505)
Skelton Kings Cross Limited	-	-	679,369	-
Skelton Birmingham Limited	-	-	4,299,798	-
Bnde Parks Group Limited	211	-	-	-
	<u>£ 1,256,545</u>	<u>£ (64,772)</u>	<u>£ 4,979,167</u>	<u>£ (3,121,517)</u>

17. CONTROLLING PARTY

Skelton Holdings Limited had a 100% interest in the equity share capital of Skelton Group Limited at 30 June 2007

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 D J B Moss, the Managing Director.