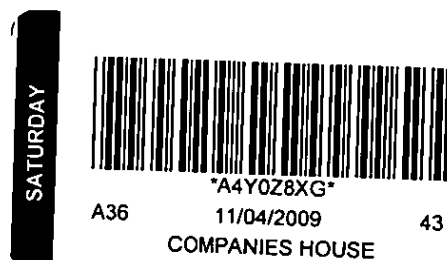


Companies House copy

SKELTON GROUP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008



RAWLINSON & HUNTER

Chartered Accountants
Eighth Floor 6 New Street Square London EC4A 3AQ

SKELTON GROUP LIMITED

COMPANY INFORMATION

DIRECTORS

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

COMPANY SECRETARY

M J Morrison

COMPANY NUMBER

3194228

REGISTERED OFFICE

104 Park Street
London
W1K 6NF

AUDITORS

Rawlinson & Hunter
Chartered Accountants & Registered Auditor
Eighth Floor
6 New Street Square
New Fetter Lane
London
EC4A 3AQ

SKELTON GROUP LIMITED

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SKELTON GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2008

The directors present their report and the financial statements for the year ended 30 June 2008.

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records 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.

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

SKELTON GROUP LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2008**

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.

The year to 30 June 2008 has been another successful one for the company and its subsidiaries. At the year end, the net assets of the company, after payment of an interim dividend of £2.2 million, amounted to £11.1 million.

On 30 November 2007, Skelton Kings Cross Limited disposed of its freehold investment property for £22.4 million realising a historical cost profit before taxation of £3.1 million.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £2,340,935 (2007 - £4,867,771).

The directors recommended the payment of an interim dividend of £2,200,000 (2007 - £Nil). The directors do not recommend the payment of a final dividend (2007 - £Nil).

DIRECTORS

The directors who served during the year were:

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

SMALL COMPANY PROVISIONS

This directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4)(a) of the Companies Act 1985.

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 6-11-08 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 2008, 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 2008 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
Eighth Floor
6 New Street Square
New Fetter Lane
London
EC4A 3AQ

Date: *6 November 2008*

SKELTON GROUP LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2008**

	Note	2008 £	2007 £
TURNOVER	1,2	345,000	962,500
Administrative expenses		<u>(115,941)</u>	<u>(203,823)</u>
OPERATING PROFIT	3	229,059	758,677
Income from other fixed asset investments	7	1,826,222	3,847,508
Interest receivable		533,609	399,587
Interest payable	5	<u>(2,391)</u>	<u>(30,672)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,586,499	4,975,100
Tax on profit on ordinary activities	6	<u>(245,564)</u>	<u>(107,329)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	12	£ 2,340,935	£ 4,867,771

All amounts relate to continuing operations.

There were no recognised gains and losses for 2008 or 2007 other than those included in the Profit and Loss Account.

The notes on pages 7 to 12 form part of these financial statements.

SKELTON GROUP LIMITED

**BALANCE SHEET
AS AT 30 JUNE 2008**

	Note	2008 £	2007 £
FIXED ASSETS			
Investments	7	206	205
CURRENT ASSETS			
Debtors	8	1,059,657	1,363,713
Cash at bank		10,196,293	9,885,381
		<u>11,255,950</u>	<u>11,249,094</u>
CREDITORS: amounts falling due within one year	9	<u>(157,894)</u>	<u>(291,972)</u>
NET CURRENT ASSETS		<u>11,098,056</u>	<u>10,957,122</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>£11,098,262</u></u>	<u><u>£10,957,327</u></u>
CAPITAL AND RESERVES			
Called up share capital	10	50,000	50,000
Profit and loss account	11	<u>11,048,262</u>	<u>10,907,327</u>
SHAREHOLDERS' FUNDS - All equity	12	<u><u>£11,098,262</u></u>	<u><u>£10,957,327</u></u>

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

6-11-08



Director

The notes on pages 7 to 12 form part of these financial statements.

SKELTON GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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:

Management charges	300,000	925,000
Recharged expenses	45,000	37,500
	<hr/>	<hr/>
	£ 345,000	£ 962,500
	<hr/>	<hr/>

All turnover arose within the United Kingdom.

SKELTON GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

3. OPERATING PROFIT

The operating profit is stated after charging:

	2008 £	2007 £
Auditors' remuneration	<u>16,175</u>	<u>20,475</u>

The auditors' remuneration consists of £6,600 (2007 - £6,300) in respect of the company and £9,575 (2007 - £14,175) in respect of the company's two (2007 - three) subsidiaries.

4. STAFF COSTS

During the year, no director received any emoluments (2007 - £Nil).

The company had no employees other than the directors (2007 - Nil).

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

	No.	No.
Directors	<u>3</u>	<u>3</u>

5. INTEREST PAYABLE

	2008 £	2007 £
On bank loans and overdrafts	-	12
On loans from related undertakings	-	30,660
Other interest payable	2,391	-
	<u>£ 2,391</u>	<u>£ 30,672</u>

6. TAXATION

	2008 £	2007 £
UK corporation tax charge on profit for the year	<u>£ 245,564</u>	<u>£ 107,329</u>

SKELTON GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

6. TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2007 - *lower than*) the average standard rate of corporation tax in the UK applicable to the company (29.5%). The differences are explained below:

	2008 £	2007 £
Profit on ordinary activities before tax	£ 2,586,499	£ 4,975,100
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK applicable to the company of 29.5% (2007 - 30%)	763,017	1,492,530
Effects of:		
Expenses not deductible for tax purposes	21,282	1,538
Other non taxable income	(538,735)	(1,154,252)
Group relief received	-	(232,487)
Current tax charge for the year (see note above)	£ 245,564	£ 107,329

Factors that may affect future tax charges

There are no factors affecting future tax charges.

7. INVESTMENTS

	Shares in group under- takings £
Cost or valuation	
At 1 July 2007	205
Additions (refer below)	1
At 30 June 2008	£ 206

Subsidiary undertakings

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

Name

Skelton Kings Cross Limited
Skelton Watford Limited
Skelton Birmingham Limited
Skelton St James's Limited

SKELTON GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

7. INVESTMENTS (continued)

The aggregate of the share capital and reserves as at 30 June 2008 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(loss) £
Skelton Kings Cross Limited	1	(618,068)
Skelton Watford Limited	2	-
Skelton Birmingham Limited	202	593,076
Skelton St James's Limited	1	-
	<u> </u>	<u> </u>

During the year, Skelton St. James's Limited was incorporated as a wholly owned subsidiary undertaking with issued share capital of one Ordinary share of £1.

Also during the year, Skelton Watford Limited began the process of voluntary liquidation.

Income from investments

During the year, the company received dividends from its subsidiary undertakings, Skelton Kings Cross Limited and Skelton Birmingham Limited, of £450,632 and £1,375,590 respectively. In the prior year, the company received dividends from its subsidiaries, Skelton Birmingham Limited and Skelton Watford Limited, of £3,800,000 and £47,508 respectively.

8. DEBTORS

	2008 £	2007 £
Amounts owed by group undertakings (Note 14)	344,802	1,343,801
Other debtors	659,167	-
Prepayments and accrued income	55,688	19,912
	<u>£ 1,059,657</u>	<u>£ 1,363,713</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

SKELTON GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

9. CREDITORS:

Amounts falling due within one year

	2008 £	2007 £
Trade creditors	43,475	3,908
Amounts owed to group undertakings (Note 14)	700	100,612
Corporation tax	78,044	107,692
Social security and other taxes	-	49,760
Accruals and deferred income	35,675	30,000
	<u>£ 157,894</u>	<u>£ 291,972</u>

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

10. SHARE CAPITAL

	2008 £	2007 £
Authorised, allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	<u>£ 50,000</u>	<u>£ 50,000</u>

11. RESERVES

	Profit and loss account £
At 1 July 2007	10,907,327
Profit for the year	2,340,935
Dividends (Note 13)	(2,200,000)
	<u>£11,048,262</u>
At 30 June 2008	

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2008 £	2007 £
Opening shareholders' funds	10,957,327	6,089,556
Profit for the year	2,340,935	4,867,771
Dividends (Note 13)	(2,200,000)	-
	<u>£ 11,098,262</u>	<u>£ 10,957,327</u>
Closing shareholders' funds		

SKELTON GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

13. DIVIDENDS

	2008 £	2007 £
Dividends paid on equity capital (Note 12)	£ 2,200,000	£ -

14. RELATED PARTY TRANSACTIONS

Details of balances and transactions with related parties are shown below:

	Year ended 30 June 2008 Income £	Year ended 30 June 2008 Expenses £	30 June 2008 Debtors £	30 June 2008 Creditors £
Skelton Holdings Limited	-	-	-	(498)
Skelron Watford Limited	-	-	34,107	-
Skelton Kings Cross Limited	300,000	-	42,363	-
Skelton Birmingham Limited	-	-	-	(202)
Skelton Group Investments Limited	-	-	52,690	-
Skelton Developments (Harehills) Limited	45,000	-	182,375	-
Skelton Developments (Almondsbury) Limited	-	-	33,267	-
	<u>£ 345,000</u>	<u>£ -</u>	<u>£ 344,802</u>	<u>£ (700)</u>

	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	-	65,059	-	-
	<u>£ 925,000</u>	<u>£ 65,059</u>	<u>£ 1,343,801</u>	<u>£ (100,612)</u>

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

Skelton Holdings Limited had a 100% interest in the equity share capital of Skelton Group Limited at 30 June 2008.

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.