Skillgreat Limited

Directors' report and financial statements

Registered number 4066859

31 December 2003

Directors' report and financial statements

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activity

The principal activity of the company is property investment. There has been no significant change in the nature of the company's business activity during the year under review nor is any envisaged in the immediate future.

Financial statements and dividend

The result for the year ended 31 December 2003 is set out in the attached financial statements.

The directors do not recommend the payment of a dividend *(2002: £nil)*.

Property

A professional valuation of the company's investment properties was carried out at 31 December 2003 by the company's valuers, Cardales. The resultant figures have been included in the financial statements under review and there was no change to the previous book value *(2002: deficit of £130,000)*.

Directors and directors' interests

The directors who held office during the year are:

Mr BSE Freshwater
Mr D Davis

The Articles of Association of the company do not require the directors to retire by rotation.

The directors do not have service contracts and do not receive any emoluments from the company.

Day to day management of the company's properties is mainly carried out by Highdorn Co. Limited. Mr BSE Freshwater is a director of Highdorn Co. Limited and has a non-beneficial interest in its share capital.

The whole of the issued share capital of the company is owned by Centremanor Limited. The interests of Mr BSE Freshwater and Mr D Davis in the share capital of Centremanor Limited are set out in the directors report of that company.

Apart from the aforementioned, at 31 December 2003, neither of the directors had any other interest in the share capital of the company, the company's parent undertaking, subsidiary undertakings or any subsidiary of the company's parent undertaking.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of Cohen, Arnold & Co and KPMG LLP as joint auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

MRM Jenner
Secretary

Freshwater House
158/162 Shaftesbury Avenue
London WC2H 8HR

30 June 2004

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 of the profit or loss of the company 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 company will continue in business.

The directors are responsible for ensuring that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Report of the joint independent auditors, Cohen, Arnold & Co and KPMG LLP, to the members of Skillgreat Limited

We have audited the financial statements on pages 4 to 12.

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

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Cohen Arnold & Co

Cohen, Arnold & Co
Chartered Accountants
Registered Auditors
London

30 June 2004

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
London

30 June 2004

Profit and loss account

for the year ended 31 December 2003

	Note	2003 £	2002 £
Rents and charges receivable		**494,130**	505,761
Property outgoings		**(82,218)**	(72,635)
		411,912	433,126
Administrative expenses		**(16,515)**	(14,115)
Operating profit		**395,397**	419,011
Interest receivable	*2*	**1,496**	753
Interest payable	*3*	**(237,276)**	(253,193)
Profit on ordinary activities before taxation	*4*	**159,617**	166,571
Tax on profit on ordinary activities	*5*	**(48,000)**	(50,000)
Retained profit for the financial year	*11*	**111,617**	116,571

All of the company's activities are continuing.

There is no difference between the results as stated and the results on a historical cost basis in either the current or previous year.

Statement of total recognised gains and losses
for the year ended 31 December 2003

	2003	2002
	£	£
Retained profit for the financial year	111,617	116,571
Unrealised surplus on revaluation of investment properties	-	130,000
Total recognised gains for the year	**111,617**	246,571

Balance sheet
at 31 December 2003

	Notes	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Investment properties	6		4,645,000		4,645,000
Current assets					
Debtors	7	584,468		589,046	
Cash at bank		691		691	
		585,159		589,737	
Creditors: amounts falling due within one year	8	(1,581,826)		(1,598,021)	
Net current liabilities			(996,667)		(1,008,284)
Total assets less current liabilities			3,648,333		3,636,716
Creditors: amounts falling due after more than one year	9		(3,220,000)		(3,320,000)
Net assets			428,333		316,716
Capital and reserves					
Called up share capital	10		1		1
Revaluation reserve	11		42,528		42,528
Profit and loss account	11		385,804		274,187
Equity shareholders' funds	12		428,333		316,716

These financial statements were approved by the board of directors on 30 June 2004 and were signed on its behalf by:

BSE Freshwater
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention as adjusted by the policy of accounting for investment properties referred to below, and in accordance with applicable Accounting Standards.

The financial statements have been prepared on the going concern basis, notwithstanding the company's net current liabilities, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Centremanor Limited, the company's immediate parent undertaking. Centremanor Limited has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available.

This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Taxation

Current

Provision is made for consideration payable to or receivable from other group undertakings for the surrender of losses under group relief provisions.

Deferred

Deferred tax is provided in accordance with Financial Reporting Standard No. 19 (FRS 19). Under FRS 19 full provision is made in respect of all timing differences that have originated but not reversed by the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in future, except that:

i no provision is made in respect of unrealised property revaluation surpluses; and

ii deferred tax assets are recognised to the extent that they are considered recoverable.

Deferred tax is measured on a non-discounted basis at the tax rates which apply at the balance sheet date.

Investment properties

Investment properties are included in the balance sheet at professional valuation at 31 December 2003, on the basis stated in note 6 on the financial statements.

In accordance with Statement of Standard Accounting Practice No. 19:

i investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, with the exception of permanent diminutions in value which are written off through the profit and loss; and

ii no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

Notes *(continued)*

1 Accounting policies *(continued)*

Investment properties (continued)

This treatment, as regards the company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation and amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Cash flow statement

The company is exempt from the requirement to prepare a cash flow statement (in accordance with Financial Reporting Standard No. 1 (revised 1996)) on the grounds that it is a wholly owned subsidiary undertaking of an intermediary undertaking registered in England and Wales which prepares consolidated financial statements that include a consolidated cash flow statement.

Related party transactions

The company has taken advantage of the exemption in FRS 8 Related Party Disclosures in order to dispense with the requirements to disclose transactions with other Metropolitan Properties Company Limited group companies.

2 Interest receivable

	2003	2002
	£	£
Bank interest	**1,496**	753

3 Interest payable

	2003	2002
	£	£
Interest payable on loans terminating after more than five years	**237,276**	253,193

Notes *(continued)*

4 Profit on ordinary activities before taxation

	2003 £	2002 £
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration for audit services	**15,000**	9,000

The directors of the company did not receive any emoluments from the company during the year or in the previous year.

Apart from the directors, there were no other employees of the company during the year or in the previous year.

5 Tax on profit on ordinary activities

	2003 £	2002 £
a) Analysis of charge for the year		
Consideration payable for group relief:		
Current year	**48,000**	50,000
b) Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	**159,617**	166,571
Profit on ordinary activities at the standard rate of 30% *(2002: 30%)*	**47,885**	49,971
Disallowed expenses	**-**	30
Sundry differences	**115**	(1)
Current tax charge (see above)	**48,000**	50,000

c) Factors affecting the tax charge for future years

The potential deferred taxation liability, at 31 December 2003 in respect of the surpluses on revaluation of investment properties, for which no provision has been made, is estimated at £nil *(2002: £nil)*.

6 Investment properties

	£
Land and buildings (freehold properties):	
Valuation	
at 31 December 2003 and 31 December 2002	4,645,000

A professional valuation of the company's investment properties was carried out at 31 December 2003 by the company's valuers, Cardales. The valuation figures are based on open market value assessed in accordance with the RICS Statement of Asset Valuation Practice and Guidance Notes.

Notes *(continued)*

6 Tangible fixed assets *(continued)*

The relevant amounts determined under the historical cost convention of land and buildings included in the financial statements at valuation are as follows:

	£
Cost:	
At 31 December 2003 and 31 December 2002	**4,602,472**

7 Debtors

	2003	2002
	£	£
Rents and charges receivable	**24,295**	59,770
Amounts due from fellow subsidiary undertakings	**554,080**	524,943
Other debtors	**6,093**	4,333
	584,468	589,046

8 Creditors: amounts falling due within one year

	2003	2002
	£	£
Mortgage repayment	**100,000**	100,000
Rents and charges in advance	**101,367**	105,089
Amount due to immediate parent undertaking	**1,235,094**	1,227,622
Consideration payable for group relief (note 5)	**98,000**	117,000
Value Added Tax	**13,115**	14,699
Other creditors and accruals	**34,250**	33,611
	1,581,826	1,598,021

9 Creditors: amounts falling due after more than one year

	Interest	**2003**	2002
	%	**£**	£
Mortgage repayable in instalments terminating in 2023	**6**	**3,320,000**	3,420,000
Amounts repayable prior to 1 January 2005 (note 8)		**(100,000)**	(100,000)
		3,220,000	3,320,000

The mortgage is secured by way of a fixed legal charge over the company's investment properties with a book value of £4,645,000 and a floating charge over all the assets and undertakings of the company.

Notes *(continued)*

10 Called up share capital

	2003 £	2002 £
Authorised		
1,000 ordinary shares of £1 each	**1,000**	1,000
Allotted, called up and fully paid		
1 ordinary share of £1	**1**	1

11 Reserves

	£	£
Revaluation reserve:		
At 31 December 2002	42,528	
Surplus on revaluation of investment properties (note 6)	-	
At 31 December 2003		42,528
Profit and loss account:		
At 31 December 2002	274,187	
Retained profit for the financial year	111,617	
At 31 December 2003		385,804
Total reserves and retained earnings at 31 December 2003		**428,332**

12 Reconciliation of movements in shareholders' funds

	2003 £	2
Retained profit for the financial year	**111,617**	116,
Unrealised surplus on revaluation of investment properties	-	130,
Net additions to shareholders' funds	**111,617**	246,
Opening shareholders' funds	**316,716**	70,
Closing shareholders' funds	**428,333**	316,

Notes *(continued)*

13 Directors' interests in contracts

Day-to-day management of the company's properties is mainly carried out by Highdorn Co. Limited, one of the Freshwater Group of Companies, with which this company is closely associated. Mr BSE Freshwater is a director of Highdorn Co. Limited and has a non-beneficial interest in the share capital of that company.

During the year £9,974 *(2002: £12,094)*, excluding VAT, was paid to Highdorn Co. Limited for the full range of management and administrative services which were charged for at normal commercial rates.

14 Ultimate parent undertaking

The parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up is Centremanor Limited, a company registered in England and Wales.

Copies of these financial statements can be obtained from the following address:

Freshwater House, 158/162 Shaftesbury Avenue, London WC2H 8HR.

The ultimate parent undertaking is Linnet Limited, a company incorporated in the Isle of Man and controlled by trusts.

Property revenue account
for the year ended 31 December 2003

	2003		2002	
	£	£	£	£
Rents and charges receivable		**494,130**		505,761
Property outgoings				
Ground rent payable	**1,600**		1,600	
General and water rates	**3,820**		1,004	
Insurance	**268**		(537)	
Lighting and heating	**7,056**		4,985	
Porterage and cleaning	**12,599**		19,265	
Repairs and maintenance	**30,480**		21,987	
Legal and professional fees	**5,042**		5,570	
Management commission	**21,353**		13,594	
Letting commission	**-**		5,167	
		(82,218)		(72,635)
Net property revenue		**411,912**		433,126

This schedule is provided for information purposes only and does not form part of the audited financial statements.