

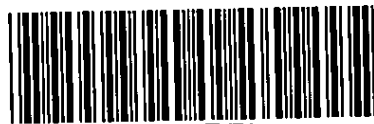
SQ1 LIMITED

Directors' report and financial statements

For the year ended 31 December 2006

Registered number 04416359

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Directors' report and financial statements

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Directors' report

The directors have pleasure in submitting their report together with the financial statements of the company for the year ended 31 December 2006

Principal activities

The principal activity of the company is that of property development

Results and dividends

The company made a loss for the year after tax of £351,524 (2005 £436,978 loss) The directors do not recommend the payment of a dividend

Directors

The directors of the company during the year were

PH Miller
MD Rutterford
EM Young
A Sutherland
J M Jackson
M Wood

The directors had no interests in shares of the company during the year

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Elective Resolution

An Elective Resolution was signed by the members on 11 July 2002 to dispense with the following legal requirements

the holding of AGMs, the laying of accounts and reports before the company AGM, and the obligation of appointing auditors annually

By order of the board



P J Smyth
Secretary

13 June 2007

Edinburgh

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards.

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 UK 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 its 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.

Independent auditors' report to the members of SQ1 Limited

We have audited the financial statements of SQ1 Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also 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

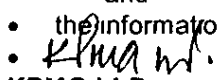
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss 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.


KPMG LLP
Chartered Accountants
Registered Auditor
Edinburgh

Date

13 June 2007

Profit and loss account
For the year ended 31 December 2006

	Notes	2006 £	2005 £
Turnover	2	72,692	62,095
Cost of sales		(417,256)	(419,733)
		<hr/>	<hr/>
Gross loss		(344,564)	(357,638)
Administrative expenses		(82,571)	(1,318)
		<hr/>	<hr/>
Operating loss		(427,135)	(358,956)
Interest receivable	5	6,206	3,099
Interest payable	6	(81,249)	(81,121)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	4	(502,178)	(436,978)
Tax on loss on ordinary activities	7	150,654	-
		<hr/>	<hr/>
Loss for the financial year		(351,524)	(436,978)
		<hr/>	<hr/>

There have been no recognised gains or losses other than the loss for the year

The loss for the year has been derived from continuing activities

Balance sheet
at 31 December 2006

	Note	2006 £	2005 £
Current assets			
Work in progress	8	2,338,141	2,587,864
Debtors	9	167,395	33,773
Cash at bank		269,950	26,114
		<u>2,775,486</u>	<u>2,647,751</u>
Creditors amounts falling due within one year	10	(189,497)	(141,487)
		<u>2,585,989</u>	<u>2,506,264</u>
Net current assets			
Creditors amounts falling due after more than one year	11	(3,794,847)	(3,363,598)
		<u>(1,208,858)</u>	<u>(857,334)</u>
Net liabilities			
Capital and reserves			
Called up share capital	12	2	2
Profit & loss account	13	(1,208,860)	(857,336)
		<u>(1,208,858)</u>	<u>(857,334)</u>
Deficit in shareholders' funds	14		

These financial statements were approved by the board of directors on 13 June 2007 and were signed on its behalf by



PH Miller
Director



EM Young
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 to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost accounting rules. The financial statements have been prepared on the going concern basis as the shareholders have indicated that they will continue to support the company.

Cash flow statement

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Development work in progress

Development work in progress is carried at cost plus attributable overheads or net realisable value if lower.

2. Turnover

Turnover represents rental income and the sale of tools. Turnover is stated net of Value Added Tax.

3. Remuneration of directors

There were no emoluments paid to directors during the year.

4. Loss on ordinary activities before taxation	2006 £	2005 £
<i>This is stated after charging</i>		
Auditors' remuneration	1,500	1,250
	<hr/>	<hr/>

Notes (cont'd)

5. Interest receivable	2006	2005
	£	£
Bank interest receivable	6,206	3,099
	<hr/>	<hr/>

6 Interest payable	2006	2005
	£	£
Other interest payable	81,249	81,121
	<hr/>	<hr/>

7. Taxation	2006	2005
	£	£
Analysis of charge in year		
UK Corporation tax		
Current tax on income for the year	-	-
Deferred tax	(150,654)	
	<hr/>	<hr/>
Tax on profit on ordinary activities	(150,654)	-
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower than (2005 lower than) the standard rate of corporation tax in the UK 30% (2005 30%) The differences are explained below

	2006	2005
	£	£
Current tax reconciliation		
Loss on ordinary activities before tax	(502,178)	(436,978)
	<hr/>	<hr/>
Current tax at 30% (2005 30%)	(150,654)	(131,093)
	<hr/>	<hr/>
Effects of		
Losses carried forward	(150,654)	131,093
	<hr/>	<hr/>
Total current tax charge (see above)	-	-
	<hr/>	<hr/>

Notes (cont'd)

8 Work in Progress

	2006 £	2005 £
Development sites	2,338,141	2,587,864
	<u> </u>	<u> </u>

9 Debtors

	2006 £	2005 £
Trade debtors	-	11,963
Other debtors	15,428	12,964
Prepayments and accrued income	1,313	8,846
Deferred Tax Asset (see below)	150,654	-
	<u>167,395</u>	<u>33,773</u>

Deferred Tax

	2006 £	2005 £
At start of year	-	-
Credited to profit and loss	150,654	-
At end of year	<u>150,654</u>	<u>-</u>

The deferred tax asset relates to tax losses and will be relieved against future taxable profits

10 Creditors amounts falling due within one year

	2006 £	2005 £
Trade creditors	102,662	63,608
Accruals and deferred income	2,500	14,172
Other creditors	84,335	63,707
	<u>189,497</u>	<u>141,487</u>

11 Creditors amounts falling due after more than one year

	2006 £	2005 £
Shareholder loans	3,794,847	3,363,598
	<u> </u>	<u> </u>

Notes (cont'd)

12. Share capital

	2006 £	2005 £
<i>Authorised</i>		
Ordinary shares of £1	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>2</u>	<u>2</u>

13 Profit and loss account

	£
At beginning of year	(857,336)
Loss for the year	(351,524)
At end of year	<u>(1,208,860)</u>

14. Reconciliation of movement in shareholders' funds

	2006 £	2005 £
Loss for the year	(351,524)	(436,978)
Opening shareholders' funds	<u>(857,334)</u>	<u>(420,356)</u>
Closing deficit in shareholders' funds	<u>(1,208,858)</u>	<u>(857,334)</u>

15. Related party disclosures

The company is a joint venture between The Miller Group Limited and Rutterford Limited. At the year end there were shareholder loans outstanding of £1,897,423 (2005: £1,681,799) to each party.