Skerricha Properties Limited

Directors' report and financial statements

For the year ended 31 December 2004
Registered Number SC162639

Directors' report and financial statements

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Directors' report

The directors have pleasure in presenting their report and audited financial statements for the year ended 31 December 2004.

Business review and future developments

The principal activity of the company is that of property development. The directors consider the year end financial position to be satisfactory.

Results and dividends

The loss for the year amounted to £472,797 *(2003: nil)* .The directors do not recommend the payment of a dividend.

Directors

The directors of the company during the year were:

PH Miller	(appointed 29 March 2004)
M Wood	(appointed 29 March 2004)
JM Jackson	(appointed 23 April 2004; resigned 25 February 2005)
TM Deans	(appointed 29 March 2004)
KM Miller	(resigned 29 March 2004)

Auditors

During the year KPMG LLP were appointed as auditors of the company.

Elective Resolution

An Elective Resolution was signed by the members on 4 June 2003 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

PJ Smyth
Secretary
29 August 2005

Edinburgh

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that year. 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

Independent auditors' report to the members of Skerricha Properties Limited

We have audited the financial statements on pages 4 to 10.

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 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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP

Chartered Accountants
Registered Auditor

Edinburgh

31 *August 2005*

Profit and loss account
for the year ended 31 December 2004

	Note	2004 £	2003 £
Turnover	2	**307,329**	-
Cost of sales		**(317,878)**	-
Gross loss		**(10,549)**	-
Administrative expenses		**(59,192)**	-
Operating loss		**(69,741)**	
Interest receivable	5	**1,868**	-
Interest payable	6	**(607,551)**	-
Loss on ordinary activities before taxation	3	**(675,424)**	-
Tax on loss on ordinary activities	7	**202,627**	-
Retained loss for the year		**(472,797)**	-
Profit and loss reserve at start of year		-	-
Profit and loss reserve at end of year	14	**(472,797)**	-

There are no recognised gains or losses other than those disclosed above.

Balance sheet
at 31 December 2004

	Note	2004 £	2003 £
Fixed Assets			
Investments	8	**1,102,743**	-
Current assets			
Work in progress	9	**5,582,000**	-
Debtors	10	**6,787,883**	2
Cash at bank and in hand		**554,486**	-
		12,924,369	2
Creditors: amounts falling due within one year	11	**(14,499,907)**	-
Net current (liabilities)/assets		**(1,575,538)**	2
Net (liabilities)/assets		**(472,795)**	2
Capital and reserves			
Called up share capital	13	**2**	2
Profit and loss account	14	**(472,797)**	-
Equity shareholders' (deficit)/funds	15	**(472,795)**	2

These financial statements were approved by the board of directors on 29 August 2005 and were signed on its behalf by:

PH Miller
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 company is exempt from the requirement of Financial Reporting Standard 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of The Miller Group Limited and its cash flows are included within the consolidated cash flow statement of that company.

As the company is a wholly owned subsidiary of The Miller Group Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of The Miller Group Limited, within which this company is included, can be obtained from the address given in note 16.

Consolidated accounts have not been prepared on the grounds that the company is a wholly owned subsidiary of a UK undertaking which is preparing consolidated accounts to an identical period end.

Investments

Investments held as fixed assets are stated at cost less provision for impairment value.

Development work in progress

Development work in progress has been valued at cost plus attributable overheads or net realisable value if lower.

Taxation

The charge for taxation is based on the loss 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.

2. Turnover

Turnover represents rental income. Turnover is stated net of Value Added Tax

3. Loss on ordinary activities before taxation

	2004	2003
	£	£
Operating profit is stated after charging		
Auditors remuneration	-	-

Auditors' remuneration is paid by the immediate parent company, Miller Investments Holdings Limited and is disclosed in the accounts of that company.

Notes (cont'd)

4. Remuneration of directors

There were no emoluments paid to the directors during the year.

5. Interest receivable

	2004	2003
	£	£
Bank interest	**1,868**	-

6. Interest payable

	2004	2003
	£	£
Bank loans and overdrafts	**475,144**	-
Shareholder loan interest	**132,407**	-
	607,551	-

7. Taxation

	2004	2003
	£	£
Analysis of charge in period		
UK Corporation tax		
Current tax on income for the period	-	-
Deferred tax – origination of timing differences (see note 12)	**(202,627)**	-
Tax on loss on ordinary activities	**(202,627)**	-

Factors affecting the tax charge for the current period
The current tax charge for the year is higher than *(2003: equal to)* the standard rate of corporation tax in the UK 30% *(2003:30%)*. The differences are explained below.

	2004	2003
	£	£
Current tax reconciliation		
Loss on ordinary activities	**(675,424)**	-
Current tax at 30%	**(202,627)**	-
Effect of:		
Deferred tax – origination of timing differences	**202,627**	-
Total current tax charge	-	-

Notes (cont'd)

8. Investments

	Subsidiary undertakings
Cost and net book value	£
At 31 December 2003	-
Additions	1,102,743
At 31 December 2004	**1,102,743**

Investments in subsidiaries at 31 December 2004 consisted of the following, all of which are Registered in Scotland apart from Skerricha Properties (Newcastle) which is registered in England. The principal activity of all the companies is that of property development:

	% of ordinary share capital
Skerricha Properties (Glenrothes) Limited	100%
Skerricha Properties (Inverness) Limited	100%
Skerricha Properties (Newcastle) Limited	100%

9. Work in progress

	2004	2003
	£	£
Development site	**5,582,000**	-

10. Debtors

	2004	2003
	£	£
Trade debtors	**60,525**	-
Amount owed by parent undertaking	**2**	2
Amounts owed by subsidiary companies	**6,304,860**	-
Accrued income	**69,538**	-
Deferred tax asset (see note 12)	**202,627**	-
Other debtors	**150,331**	-
	6,787,883	2

Notes (cont'd)

11. Creditors: amounts falling due within one year

	2004	2003
	£	£
Trade creditors	1,930	-
Amounts owed to parent company undertaking	3,050,032	-
Accruals and deferred income	314,358	-
Other creditors	33,587	-
Bank loan	11,100,000	-
	14,499,907	-

The bank term loan is repayable in full by the earlier of January 2007 or the date of sale of the properties. Management expect to sell the properties during 2005. Interest is payable on the outstanding balance at 1.5% above LIBOR. The term loan is secured by a legal charge or standard security over the specific properties to which it relates and by a debenture or bond and floating charge over the assets of the company and its subsidiaries.

12. Deferred tax

	2004
	£
At beginning of year	-
Credited to profit and loss account	202,627
At end of year (see note 10)	202,627

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

13. Called up share capital

	2004	2003
	£	£
Authorised:		
1,000 Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid:		
2 Ordinary shares of £1 each	2	2

14. Profit and loss account

	2004	2003
	£	£
Loss for the period	(472,797)	-
At beginning of year	-	-
At end of period	(472,797)	-

Notes (cont'd)

15. Reconciliation of movements in shareholders' funds

	2004	2003
	£	£
Opening shareholders' funds	**2**	2
Retained loss for the year	**(472,797)**	-
Closing shareholders' (deficit)/funds	**(472,795)**	2

16. Ultimate parent company

The company's ultimate parent company is The Miller Group Limited, a company registered in Scotland. The accounts of The Miller Group Limited can be obtained from the Registrar of Companies, Companies House, 37 Castle Terrace, Edinburgh, EH1 2EB.