

**STEWART MILNE (WEST) LIMITED**

**REPORT AND ACCOUNTS**

**For the period to 31 December 2003**

COMPANY NUMBER SC 192726



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**REPORT OF THE DIRECTORS**Directors

J. K. Cruickshank

G. F. W. Allison

J. C. O'Neil

G. C. Loudon

The Directors have pleasure in submitting their report and statement of accounts of the Company for the period from 1 March 2003 to 31 December 2003.

Activity and Review of Business

The Company's principal activity is the acquisition and sale of land for development.

The Company made a profit after taxation in the period of £337,500 (year to February 2003 – loss £238,393). The Directors do not recommend the payment of a dividend.

Directors and their interests

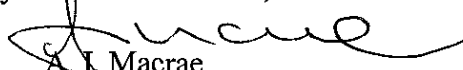
The Directors at the date of this report are as stated above and served throughout the period.

No Director had a beneficial interest in the shares of the Company during the period.

Auditors

In accordance with s.386 of the Companies Act 1985 (as amended), the Company has elected to dispense with the obligation to appoint auditors annually. Accordingly, KPMG Audit Plc will continue in office as auditors.

By Order of the Board,

  
A. I. Macrae  
Secretary

Registered Office  
2nd Floor  
New Uberior House  
11 Earl Grey Street  
Edinburgh  
EH3 9BN

25th October 2004

**PROFIT AND LOSS ACCOUNT**For the period from 1 March 2003 to 31 December 2003

|  |              | <u>Period to</u><br><u>31 December</u><br><u>2003</u><br><u>£</u> | <u>Year to</u><br><u>28 February</u><br><u>2003</u><br><u>£</u> |
|--|--------------|---|---|
|  | <u>Notes</u> |   |   |
| Turnover   |              | 700,000   | -   |
| Cost of Sales  |              | (414,000)   | -   |
| Gross Profit   |              | <u>286,000</u>  | <u>-</u>  |
| Operating expenses                                   |              | (6,272)   | (15,405)  |
| Operating profit/(loss)                              |              | <u>279,728</u>  | <u>(15,405)</u>   |
| Interest receivable                                  |              | 35,592  | 12,399  |
| Other operating income                               |              | 6,000   | 4,745   |
| Interest payable and similar charges                 |              | (21,055)  | (282,202)   |
| Profit/(loss) on ordinary activities before taxation | 2            | <u>300,265</u>  | <u>(280,463)</u>  |
| Taxation   | 3            | 37,235  | 42,070  |
| Profit/(loss) on ordinary activities after taxation  |              | <u>337,500</u>  | <u>(238,393)</u>  |
| Profit and Loss Account at 1 March 2003              |              | (719,851)   | (481,458)   |
| Profit and Loss Account at 31 December 2003          |              | <u>(382,351)</u>  | <u>(719,851)</u>  |

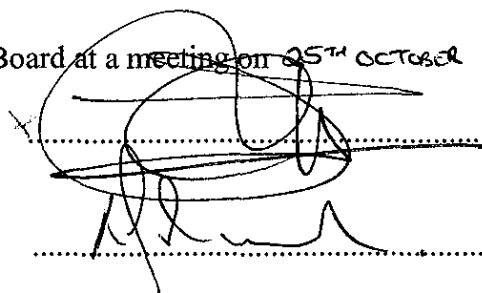
All gains and losses arising during the period have been recognised in the profit and loss account and derive from continuing operations of the Company.

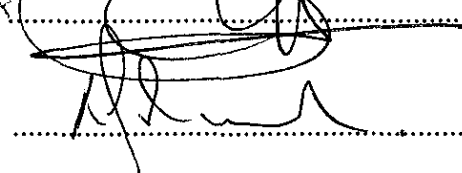
The notes on pages 4 to 7 form part of these accounts.

**BALANCE SHEET**  
As at 31 December 2003

|   | <u>Notes</u> | <u>31 December</u><br><u>2003</u><br><u>£</u> | <u>28 February</u><br><u>2003</u><br><u>£</u> |
|---|--------------|---|---|
| <u>Current Assets</u>                                 |              |   |   |
| Stock of land for development                         |              | 4,897,861                                     | 5,297,861                                     |
| Taxation Recoverable                                  |              | 41,979  | 43,870  |
| Deferred Taxation                                     | 4            | 37,326  | -   |
| Cash at bank  |              | 376,654                                       | 229,875                                       |
|   |              | <u>5,353,820</u>                              | <u>5,571,606</u>                              |
| <u>Creditors: amounts falling due within one year</u> |              |   |   |
| Loans   | 5,8          | (5,733,647)                                   | (5,729,024)                                   |
| Accrued expenses                                      |              | (2,424)                                       | (562,333)                                     |
|   |              | <u>(5,736,071)</u>                            | <u>(6,291,357)</u>                            |
| <u>Net Current Liabilities</u>                        |              | <u>(382,251)</u>                              | <u>(719,751)</u>                              |
| <u>Share Capital and Reserves</u>                     |              |   |   |
| Share Capital   | 6            | 100   | 100   |
| Profit and Loss Account                               |              | (382,351)                                     | (719,851)                                     |
| <u>Equity Shareholders' Funds</u>                     | 7            | <u>(382,251)</u>                              | <u>(719,751)</u>                              |

Approved by the Board at a meeting on 25<sup>th</sup> October 2004 and signed on its behalf by:

.....Director

.....Director

The notes on pages 4 to 7 form part of these accounts.

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NOTES TO THE ACCOUNTS
1. Accounting policies1.1 Accounting convention

The accounts have been prepared under the historical cost convention. The accounts have been prepared in accordance with applicable accounting standards and pronouncements of the Urgent Issues Task Force ("UITF"). Accounting policies are reviewed regularly to ensure they are the most appropriate to the circumstances of the company for the purposes of giving a true and fair view.

1.2 Basis of preparation

The accounts have been prepared on a going concern basis because facilities are currently made available by the holders of the "A" and "B" Ordinary shares which are sufficient to meet the Company's obligations as they fall due.

1.3 Stocks

Stock is stated at lower of cost and net realisable value. Cost includes the cost of land and direct construction costs.

1.4 Turnover

Turnover relates to land sales in the United Kingdom and is stated net of value added tax and trade discounts.

1.5 Cash Flow Statement

The company qualifies as a small company under s.247 of the Companies Act 1985. Accordingly the company is exempt from preparing a cash flow statement under FRS 1.

1.6 Deferred Tax

Deferred tax is recognised at the standard rate of corporation tax, 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 out by the balance sheet date, except as otherwise required by FRS 19 based on corporation tax rate expected when timing differences reverse.

2. Profit/(loss) on ordinary activities before taxation

|  | <u>Period to 31</u><br><u>December</u><br><u>2003</u><br><u>£</u> | <u>Year to 28</u><br><u>February</u><br><u>2003</u><br><u>£</u> |
|--|---|---|
| Profit/(loss) on ordinary activities before taxation is stated after charging :- |   |   |
| Audit fees   | <u>1,000</u>  | <u>1,000</u>  |

The Company has no employees and none of the Directors receive any emoluments from the Company.

## NOTES TO THE ACCOUNTS (continued)

3. Taxation

The credit for taxation which is based on the loss on ordinary activities comprises:

|   | <u>Period to 31</u><br><u>December</u><br><u>2003</u> | <u>Year to 28</u><br><u>February</u><br><u>2003</u> |
|---|---|---|
|   | <u>£</u>  | <u>£</u>  |
| UK Corporation tax for the period at a rate of 30%    | 12,478  | (42,070)  |
| Prior year adjustment in respect of consortium relief | (12,387)  | -   |
|   | 91  | (42,070)  |
| <u>Deferred Tax</u>                                   |   |   |
| Deferred tax charge for the period at a rate of 30%   | 77,602  | -   |
| Deferred tax credit in respect of earlier periods     | (114,928)   | -   |
|   | <u>(37,235)</u>                                       | <u>(42,070)</u>                                     |

Factors Affecting the Current Tax (Credit)/Charge for the Period:

The tax assessed for the period/year is lower/higher than the standard rate of corporation tax in the UK of 30%

The differences are explained below:

|   |                |                  |
|---|----------------|------------------|
| Profit/(Loss) on ordinary activities before taxation  | <u>300,265</u> | <u>(280,463)</u> |
| Profit/(Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK | 90,080         | (84,139)         |
| Effects of:   |                |                  |
| Utilisation of losses brought forward   | (77,602)       | 42,069           |
| Adjustments to tax charge in respect of previous periods  | (12,387)       | -                |
| Current corporation tax (credit)/charge for the period  | <u>91</u>      | <u>(42,070)</u>  |

4. Deferred Tax

|  | <u>£</u>      |
|--|---------------|
| Deferred tax asset at 1 January 2003   | -             |
| Current period charge                  | (77,602)      |
| Prior year credit                      | 114,928       |
| Deferred tax asset at 31 December 2003 | <u>37,326</u> |
| Deferred taxation comprises            |               |
| Tax losses carried forward             | 37,326        |
| Deferred tax asset                     | <u>37,326</u> |

## NOTES TO THE ACCOUNTS (continued)

5. Loans

|   | <u>31 December</u><br><u>2003</u> | <u>28 February</u><br><u>2003</u> |
|---|-----------------------------------|-----------------------------------|
|   | <u>£</u>                          | <u>£</u>                          |
| "A" Loan Stock due to Horizon Capital 2000 Limited              | 5,250,000                         | 5,250,000                         |
| "C" Loan Stock due to Horizon Capital 2000 Limited              | 182,566                           | 182,566                           |
| "B" Loan Stock due to Stewart Milne Homes (Southern)<br>Limited | 250,000                           | 250,000                           |
| "D" Loan Stock due to Stewart Milne Homes (Southern)<br>Limited | 51,081                            | 46,458                            |
|   | <u>5,733,647</u>                  | <u>5,729,024</u>                  |

6. Share capital

|   | <u>31 December</u><br><u>2003</u> | <u>28 February</u><br><u>2003</u> |
|---|-----------------------------------|-----------------------------------|
|   | <u>£</u>                          | <u>£</u>                          |
| <u>Authorised</u>                             |                                   |                                   |
| 5,800,000 "A" ordinary shares of £1 each      | 5,800,000                         | 5,800,000                         |
| 1,000,000 "B" ordinary shares of £1 each      | 1,000,000                         | 1,000,000                         |
|   | <u>6,800,000</u>                  | <u>6,800,000</u>                  |
| <br><u>Allotted, Called up and Fully Paid</u> |                                   |                                   |
| 50 "A" ordinary shares of £1 each             | 50                                | 50                                |
| 50 "B" ordinary shares of £1 each             | 50                                | 50                                |
|   | <u>100</u>                        | <u>100</u>                        |

## NOTES TO THE ACCOUNTS (continued)

7. Reconciliation of Equity Shareholders' Funds

|  | <u>31 December</u><br><u>2003</u><br>£ | <u>28 February</u><br><u>2003</u><br>£ |
|--|--|--|
| Equity Shareholders' Funds at 1 March 2003       | (719,751)                              | (481,358)                              |
| Profit/ (Loss) attributed to Equity Shareholders | 337,500                                | (238,393)                              |
| Equity Shareholders' Funds at 31 December 2003   | <u>(382,251)</u>                       | <u>(719,751)</u>                       |

8. Related party transactions

The Company has been given loan facilities by Horizon Capital 2000 Limited, the holder of the "A" Ordinary shares and Stewart Milne Homes (Southern) Limited, the holder of the "B" Ordinary shares. The loan from Horizon Capital 2000 Limited consists of £5,250,000 (February 2002 - £5,250,000) "A" Redeemable Loan Stock. This loan is unsecured. The loan is repayable from land sales. A fee of £275,000 is payable annually in February to the holder of the "A" Loan Stock. Horizon Capital 2000 Limited has also provided £182,566 (February 2002 - £182,566) of unsecured, deferred "C" Loan Stock. In addition the company has been charged £nil (February 2003 - £10,000) from Horizon Resources Limited (a subsidiary of the holder of the "A" Ordinary shares) for administration services. £nil (February 2003 - £10,000) was outstanding at the year end. The loan from Stewart Milne Homes (Southern) Limited consists of £250,000 (February 2003 - £250,000) unsecured "B" Loan Stock and £51,081 (February 2003 - £46,458) unsecured, deferred "D" Loan Stock.

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## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts 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 for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
STEWART MILNE (WEST) LIMITED**

We have audited the accounts on pages 2 to 7.

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 8, the accounts 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 accounts 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 accounts, 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

**Opinion**

In our opinion the accounts 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 period then ended and the accounts have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Mc*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*  
*Saltire Court*  
*20 Castle Terrace*  
*Edinburgh EH1 2EG*

*27 Oct* 2004