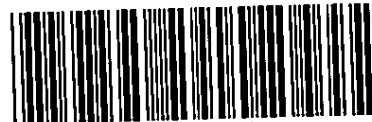

SKELTON HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

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COMPANIES HOUSE

RAWLINSON & HUNTER

Chartered Accountants

Eagle House 110 Jermyn Street London SW1Y 6RH

SKELTON HOLDINGS LIMITED

COMPANY INFORMATION

DIRECTORS	M J Morrison (Chairman) D J B Moss (Managing Director)
SECRETARY	M J Morrison
COMPANY NUMBER	4159933
REGISTERED OFFICE	104 Park Street London W1K 6NF
AUDITORS	Rawlinson & Hunter Chartered Accountants & Registered Auditor Eagle House 110 Jermyn Street London SW1Y 6RH

SKELTON HOLDINGS LIMITED

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SKELTON HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2007

The directors present their report and the financial statements for the year ended 30 June 2007

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,
- 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.

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.

So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

PRINCIPAL ACTIVITY

The principal activity of the company during the year was that of a non-trading, holding company for subsidiaries involved in property development and investment.

BUSINESS REVIEW

The directors expect that the company will continue to act as the holding company to the Skelton Group in the coming year.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £Nil (2006 - £6,600,000).

The directors do not recommend the payment of a dividend (2006 - £6,600,000).

SKELTON HOLDINGS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2007**

DIRECTORS

The directors who served during the year were

M J Morrison (Chairman)

D J B Moss (Managing Director)

AUDITORS

The auditors, Rawlinson & Hunter, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985

This report was approved by the board on

07 NOV 2007

and signed on its behalf



Director

SKELTON HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SKELTON HOLDINGS LIMITED

We have audited the financial statements of Skelton Holdings Limited for the year ended 30 June 2007 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 HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SKELTON HOLDINGS 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 2007 and of its result 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
Eagle House
110 Jermyn Street
London
SW1Y 6RH

Date *7 November 2007*

SKELTON HOLDINGS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 £	2006 £
Income from investments in group undertakings		-	6,600,000
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	6,600,000
Tax on profit on ordinary activities	4	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	8	£ -	£ 6,600,000

All amounts relate to continuing operations

There were no recognised gains and losses for 2007 or 2006 other than those included in the profit and loss account

The notes on pages 7 to 10 form part of these financial statements

SKELTON HOLDINGS LIMITED

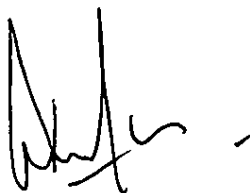
BALANCE SHEET
AS AT 30 JUNE 2007

	Note	£	2007 £	£	2006 £
FIXED ASSETS					
Fixed asset investments	5		2		2
CURRENT ASSETS					
Debtors	6		498		498
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>£ 500</u>		<u>£ 500</u>
CAPITAL AND RESERVES					
Called up share capital	7		500		500
SHAREHOLDERS' FUNDS - All equity	9		<u>£ 500</u>		<u>£ 500</u>

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

07 NOV 2007

Director



The notes on pages 7 to 10 form part of these financial statements

SKELTON HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

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 Investments

Investments in subsidiaries are stated at cost less provision for impairment, if any.

1.3 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 AUDITORS' REMUNERATION

Auditors' remuneration amounting to £1,575 (2006 - £1,500) has been borne by Skelton Group Limited, a subsidiary undertaking, on behalf of the company, and no recharge has been made to the company.

3 STAFF COSTS

During the year, no director received any emoluments (2006 - £NIL).

The company had no employees during the year (2006 - Nil).

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

	2007 No	2006 No
Directors	<u>2</u>	<u>3</u>

SKELTON HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

4 TAXATION

	2007 £	2006 £
UK corporation tax charge on profits for the year	£ -	£ -

Factors affecting tax charge for the year

The tax assessed for the year is in line with (2006 - lower than) the standard rate of corporation tax in the UK (30%). The differences are explained below

	2007 £	2006 £
Profit on ordinary activities before tax	£ -	£ 6,600,000
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 - 30%)	-	1,980,000
Effects of		
Other non taxable income	-	(1,980,000)
Current tax charge for the year (see note above)	£ -	£ -

Factors that may affect future tax charges

There were no factors that may affect future tax charges

5. FIXED ASSET INVESTMENTS

	Subsidiary under- takings £
Cost	
At 1 July 2006 and 30 June 2007	£ 2

SKELTON HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

5 FIXED ASSET INVESTMENTS (continued)

Subsidiary undertakings

The following companies, incorporated in England & Wales, were wholly owned subsidiary undertakings of the company

Skelton Group Limited	Holding company
Skelton Kings Cross Limited *	Property investment
Skelton Birmingham Limited *	Property investment
Skelton Watford Limited *	Property investment

* held indirectly through Skelton Group Limited

The aggregate of the share capital and reserves as at 30 June 2007 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows

	Aggregate of share capital and reserves £	Profit/(loss) for period £
Skelton Group Limited	10,957,327	4,867,771
Skelton Kings Cross Limited *	1,465,136	(793,953)
Skelton Birmingham Limited *	100,114	(666,075)
Skelton Watford Limited *	2	47,508
	<u> </u>	<u> </u>

During the year, the company's subsidiary undertaking, Skelton Group Limited, disposed of its interest in Skelton Poole Limited

6 DEBTORS

	2007 £	2006 £
Amounts owed by group undertakings	£ 498	£ 498
	<u> </u>	<u> </u>

Amounts owed by group undertakings consist of £498 (2006 - £498) due from Skelton Group Limited, the company's subsidiary undertaking

7 SHARE CAPITAL

	2007 £	2006 £
Authorised		
1,000 Ordinary shares of £1 each	£ 1,000	£ 1,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
500 Ordinary shares of £1 each	£ 500	£ 500
	<u> </u>	<u> </u>

SKELTON HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

8 RESERVES

	Profit and loss account £
At 1 July 2006 and 30 June 2007	£ -

9 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
Opening shareholders' funds	500	500
Profit for the year	-	6,600,000
Dividends (Note 10)	-	(6,600,000)
Closing shareholders' funds	£ 500	£ 500

10 DIVIDENDS

	2007 £	2006 £
Dividends paid on equity capital	£ -	£ 6,600,000

11 RELATED PARTY TRANSACTIONS

Included in debtors is an amount of £498 (2006 - £498) due from Skelton Group Limited, the company's subsidiary undertaking

12 CONTROLLING PARTY

The issued share capital of Skelton Holdings Limited is held 50% by Glenfinnan Properties Limited, a company incorporated in Bermuda, and 50% by D J B Moss, the company's Managing Director