NEW EDINBURGH LIMITED

Directors' report and financial statements

For the year ended 31 December 2004

Registered number SC126384

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Directors' report

The directors have pleasure in presenting their report together with the financial statements of the company for the year ended 31 December 2004.

Principal activities

The principal activities of the company are commercial land development for sale and commercial property development.

Results and dividend

The results for the year are set out in the profit and loss account on page 4. The loss on ordinary activities after taxation for the year is £2,047,842 *(2003 : loss £1,466,821).*

Business review and future developments

Consistent lettings throughout the last quarter of 2004 have resulted in significant take up of space at Edinburgh Park and are fuelling a shift in market sentiment towards a more buoyant 2005 for West Edinburgh.

One of the key factors in attracting and retaining occupiers is the Park's long term transport policy, which, over the last 18 months has strengthened its accessibility. In its first year of operation, Edinburgh Park rail station is already experiencing passenger numbers almost double expectations and the Park is also on the Edinburgh Fastlink route. This coupled with an established car sharing scheme, priority access road to the M8 motorway, the Park's proximity to Edinburgh Airport and its position on the proposed Edinburgh tram line route, has helped distinguish the site as one of the most accessible locations in Scotland with its integrated transport infrastructure and facilities.

Directors and directors' interests

The directors of the company during the year were:

K M Miller
P H Miller
I Wall
C Hunter
M T Deans
I Perry

The directors had no interest in the shares of the company during the year. The directors' interests in the parent companies are shown in the accounts for the relevant company.

Elective Resolution

An elective resolution has been passed in accordance with Section 379A of the Companies Act 1985 that, pursuant to Sections 252, 366A and 386 of the Act, the requirement to hold Annual General Meetings at which accounts are presented and auditors re-appointed has been dispensed with.

By Order of the Board

Mary Wilson

M Wilson
Secretary

Edinburgh

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 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 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 New Edinburgh Limited

We have audited the financial statements on pages 4 to 11.

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 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

17 May 2005

Profit and loss account
for the year ended 31 December 2004

	Notes	2004 £	2003 £
Turnover	2	**32,589**	15,234
Cost of sales		**(436,073)**	250,362
Gross (loss)/profit		**(403,484)**	265,596
Administrative expenses		**(845,473)**	(1,037,917)
Operating loss		**(1,248,957)**	(772,321)
Interest receivable		**7,153**	44,272
Interest payable	3	**(1,567,442)**	(1,232,776)
Loss on ordinary activities before taxation	4	**(2,809,246)**	(1,960,825)
Tax on loss on ordinary activities	5	**761,404**	494,004
Loss on ordinary activities after taxation		**(2,047,842)**	(1,466,821)
Retained loss for the financial year		**(2,047,842)**	(1,466,821)
Retained profit brought forward		**1,122,719**	2,589,540
Retained (loss)/profit carried forward		**(925,123)**	1,122,719

There have been no recognised gains or losses other than the loss for the current year and the profit for the preceding financial year.

Balance sheet
at 31 December 2004

	Notes	2004 £	2003 £
Fixed assets			
Tangible assets	*6*	**2,799**	4,473
Current assets			
Stocks - land and commercial developments in progress		**32,386,305**	32,365,947
Debtors	*7*	**1,838,718**	1,015,714
Cash at bank		**81,289**	499,958
		34,306,312	33,881,619
Creditors: amounts falling due within one year	*8*	**(1,282,531)**	(1,581,670)
Net current assets		**33,023,781**	32,299,949
Total assets less current liabilities		**33,026,580**	32,304,422
Creditors: amount falling due after more than one year	*9*	**(30,352,000)**	(27,582,000)
Net assets		**2,674,580**	4,722,422
Capital and reserves			
Called up share capital	*11*	**100,000**	100,000
Share premium account		**3,499,703**	3,499,703
Profit and loss account		**(925,123)**	1,122,719
Equity shareholders' funds	*12*	**2,674,580**	4,722,422

These accounts were approved by the Board of Directors on 29 April 2005 and were signed on its behalf by:

Keith M. Miller

KM Miller
Director

Iain Wall

I Wall
Director

Cash flow statement
for the year ended 31 December 2004

		2004 £	2003 £
Reconciliation of operating profit to net cash flow from operating activities			
Operating loss		**(1,248,957)**	(772,321)
Depreciation charges		**1,674**	2,587
Increase in stocks		**(20,358)**	(3,144,954)
Increase in debtors		**(61,600)**	389,281
Decrease in creditors		**(287,395)**	(566,582)
Net cash outflow from operating activities		**(1,616,636)**	(4,091,989)

Cash flow statement

		2004 £	2003 £
Net cash outflow from operating activities		**(1,616,636)**	(4,091,989)
Return on investments and servicing of finance	*10a*	**(1,572,033)**	(1,189,400)
Cash outflow before financing		**(3,188,669)**	(5,281,389)
Financing	*10a*	**2,770,000**	5,182,000
Decrease in cash in the year		**(418,669)**	(99,389)

Reconciliation of net cash flow to movement in net debt

		2004 £	2003 £
Decrease in cash in the year		**(418,669)**	(99,389)
Cash inflow from increase in borrowings.		**(2,770,000)**	(5,182,000)
Movement in net debt in the year		**(3,188,669)**	(5,281,389)
Net debt at the start of the year		**(27,082,042)**	(21,800,653)
Net debt at the end of the year	*10b*	**(30,270,711)**	(27,082,042)

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.

Stocks

Stocks, which comprise land and commercial property development work in progress, are valued at the lower of cost and net realisable value.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Marketing suite	3 years
Furniture and office equipment	5 years

Taxation

The charge for taxation is based on the profit 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 FRS19.

2. Turnover

Turnover represents the amounts derived from sales of land for commercial development and from sales of completed commercial developments. Turnover arises entirely in the United Kingdom.

3. Interest payable

	2004	2003
	£	£
On bank loan and overdrafts	**1,566,891**	1,232,776
Other	**551**	-
	1,567,442	1,232,776

Notes *(continued)*

4. Loss on ordinary activities before taxation

	2004	2003
	£	£
This is arrived at after charging:		
Auditors' remuneration	**4,680**	5,500
Depreciation	**1,674**	2,587

The directors did not receive any remuneration during the year

5. Tax on loss on ordinary activities

	2004	2003
	£	£
UK Corporation tax		
Current tax on income for the period	-	-
Adjustments in respect of prior periods	**183,607**	(502)
	183,607	(502)
Deferred tax – origination of timing difference	**(945,011)**	(493,502)
	(761,404)	(494,004)

Factors affecting the tax charge for the current period
There is no current tax charge in the period due to losses incurred. However, a deferred tax asset has been recognised as explained below.

Current tax reconciliation	2004 £	2003 £
Loss on ordinary activities before tax	**(2,809,246)**	(1,960,825)
Current tax at 30% (*2003: 30%*)	**(842,774)**	(588,248)
Effects of:		
Expenses not allowable for taxation	**(102,237)**	94,746
Adjustments relating to prior period	**183,607**	(502)
Deferred tax – origination of timing difference	**945,011**	493,502
Total current tax (see above)	**183,607**	(502)

Notes *(continued)*

6. Tangible fixed assets

	Furniture £	Office Equipment £	Total £
Cost			
At beginning and end of year	82,827	44,569	127,396
At end of year			
Depreciation			
At beginning of year	82,827	40,096	122,923
Charge for year	-	1,674	1,674
At end of year	**82,827**	**41,770**	**124,597**
Net book value			
At 31 December 2004	**-**	**2,799**	**2,799**
At 31 December 2003	-	4,473	4,473

7. Debtors

	2004 £	2003 £
Trade debtors	**57,777**	48,336
Other debtors	**205,543**	208,586
Prepayments and accrued income	**320,492**	265,290
Deferred tax asset (see below)	**1,254,906**	493,502
	1,838,718	1,015,714

Deferred Tax

	£
At start of year	**493,502**
Credited to profit and loss	**761,404**
At end of year	**1,254,906**

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

Notes *(continued)*

8. Creditors: amounts falling due within one year

	2004	2003
	£	£
Trade creditors	**143,059**	11,592
Other creditors	**881,482**	1,228,616
Accruals and deferred income	**257,990**	341,462
Corporation tax payable	-	-
	1,282,531	1,581,670

9. Creditors: amounts falling due after more than one year

	2004	2003
	£	£
Bank loan	**30,352,000**	27,582,000

The bank loan is a revolving credit facility. The loan is secured by a bond and floating charge over the company and standard security over the property at Edinburgh Park and Hermiston Gait.

The bank loan is repayable on 3 May 2006.

10. Notes to cash flow statement

a) *Analysis of cash flows*

	2004	2003
	£	£
Returns on investments and servicing of finance		
Interest received	**7,153**	44,272
Interest paid	**(1,579,186)**	(1,233,672)
	(1,572,033)	(1,189,400)
Financing		
Increase in borrowings	**2,770,000**	5,182,000
	2,770,000	5,182,000

b) *Analysis of net debt*

	At beginning of year	Cash flows	At end of year
	£	£	£
Cash at bank	499,958	(418,669)	**81,289**
Debt due after more than one year:			
Bank loan	(27,582,000)	(2,770,000)	**(30,352,000)**
Total	(27,082,042)	(3,188,669)	**(30,270,711)**

Notes *(continued)*

11. Share capital

	2004	2003
	£	£
Equity		
Authorised, allotted, called up and fully paid		
50,000 ordinary 'A' shares of £1 each	**50,000**	50,000
50,000 ordinary 'B' shares of £1 each	**50,000**	50,000
	100,000	100,000

The 'A' and 'B' shares rank pari-pasu in all respects.

12. Reconciliation of movements in shareholders' funds

	2004	2003
	£	£
Loss after taxation for the financial year	**(2,047,842)**	(1,466,821)
Net reduction in shareholders' funds	**(2,047,842)**	(1,466,821)
Opening shareholders' funds	**4,722,422**	6,189,243
Closing shareholders' funds	**2,674,580**	4,722,422

13. Related party disclosures

The company is owned jointly by Miller Investments Holdings Limited and CEC Holdings Limited

During the year the company was due administration fees totalling £400,976 *(2003: £437,144)* to Miller Investments Holdings Limited and £175,000 *(2003: £175,000)* to CEC Holdings Limited. There were no amounts owed to either Miller Investment Holdings Limited or CEC Holdings Limited at the beginning or end of the year. No amounts were paid to Miller Construction (UK) Limited in respect of construction costs (2003: £276,023).