NEW EDINBURGH LIMITED

Directors' report and financial statements

31 December 2001

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 2001.

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 5. The profit on ordinary activities after taxation for the year is £6,034,075 (*2000 : profit £12,620,912).*

Business review and future developments

2001 was an extremely successful year at Edinburgh Park, with the sale of building G1 let to UDV and the completion of the building A2, which was pre-sold to Merrill Lynch/HQ Business Centres. Building A3 completed and was immediately let to JP Morgan Chase and subsequently sold to the German open-ended fund, CGI.

A "minded to grant" was received from the Scottish Executive in respect of the new masterplan, providing for an additional 1.25 m ft² in the remaining phase of the Park, and it is expected that this will be ratified in Spring 2002. Planning consents have been made in respect of the first two buildings in the southern phase, positioning NEL to respond to the expected increase in market activity towards the end of 2002.

Directors and directors' interests

The directors of the company during the year were:

K M Miller
P H Miller
I Wall
D Milloy (resigned 27 April 2001)
L Cameron
C Hunter
MT Deans (appointed 27 April 2001)

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.

Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Mary Wilson

M Wilson
Secretary

Edinburgh

26 April 2002

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 5 to 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, 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 at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG

Edinburgh

Chartered Accountants
Registered Auditors

13 May 2002

Profit and loss account
for the year ended 31 December 2001

	Notes	2001 £	2000 £
Turnover	2	**30,947,356**	39,724,826
Cost of sales		**(19,324,369)**	(18,929,119)
Gross profit		**11,622,987**	20,795,707
Administrative expenses		**(2,070,254)**	(3,123,301)
Operating profit		**9,552,733**	17,672,406
Interest receivable – bank		**214,215**	488,677
Interest payable	3	**(1,103,744)**	(175,099)
Profit on ordinary activities before taxation	4	**8,663,204**	17,985,984
Tax on profit on ordinary activities	5	**(2,629,129)**	(5,365,072)
Profit on ordinary activities after taxation		**6,034,075**	12,620,912
Dividends	6	**(7,250,000)**	(20,000,000)
Retained (loss)/profit for the financial year		**(1,215,925)**	(7,379,088)
Retained profit brought forward		**4,215,622**	11,594,710
Retained profit carried forward		**2,999,697**	4,215,622

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

Balance sheet
at 31 December 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	7	**10,095**	12,677
Current assets			
Stocks - land and commercial developments *in progress*		**28,032,303**	19,369,660
Debtors	8	**762,263**	2,445,429
Cash at bank		**1,437,217**	558,279
		30,231,783	22,373,368
Creditors: amounts falling due within one year	9	**(23,642,478)**	(14,570,720)
Net current assets		**6,589,305**	7,802,648
Net assets		**6,599,400**	7,815,325
Capital and reserves			
Called up share capital	10	**100,000**	100,000
Share premium		**3,499,703**	3,499,703
Profit and loss account		**2,999,697**	4,215,622
Equity shareholders' funds	12	**6,599,400**	7,815,325

These accounts were approved by the Board of Directors on 26 April 2002 and were signed on its behalf by:

KM Miller
Director

I Wall
Director

Cash flow statement
for the year ended 31 December 2001

		2001	2000
		£	£
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		**9,552,733**	17,672,406
(Increase) in Fixed assets		**(3,855)**	-
Depreciation charges		**6,437**	6,997
Decrease/(increase) in stocks		**(8,662,643)**	3,000,659
Decrease/(increase) in debtors		**1,663,164**	476,867
Increase in creditors		**2,074,664**	983,387
Net cash inflow from operating activities		**4,630,500**	22,140,316
Cash flow statement			
Net cash inflow from operating activities		**4,630,500**	22,140,316
Return on investments and servicing of finance	*11a*	**(865,971)**	294,683
Taxation		**(4,920,591)**	(4,690,271)
Equity dividends paid		**(7,250,000)**	(20,000,000)
Cash outflow before financing		**(8,406,062)**	(2,255,272)
Financing	*11a*	**9,285,000**	1,815,000
(Decrease)/increase in cash in the period		**878,938**	(440,272)
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the period		**878,938**	(440,272)
Cash inflow from increase in borrowings.		**(9,285,000)**	(1,815,000)
Movement in net debt in the period		**(8,406,062)**	(2,255,272)
Net debt at the start of the period		**(7,156,721)**	(4,901,449)
Net debt at the end of the period	*11b*	**(15,562,783)**	(7,156,721)

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.

Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of timing differences if liabilities are likely to crystallise in the foreseeable future.

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

Profit recognition

Profits in respect of long-term contracts are recognised when the contract outcome can be foreseen with reasonable certainty and are determined by reference to work done less related costs.

2. Turnover

Turnover represents the amounts derived from sales of land for commercial development and, in the case of long-term contracts, the value of work done during the year. Turnover arises entirely in the United Kingdom.

Notes *(continued)*

3. Interest payable

	2001	2000
	£	£
On bank loan and overdrafts	**1,103,744**	175,099

4. Profit on ordinary activities before taxation

	2001	2000
	£	£
This is arrived at after charging:		
Auditors' remuneration	**5,250**	5,000
Depreciation	**6,436**	6,997

The directors did not receive any remuneration during the year

5. Tax on profit on ordinary activities

	2001	2000
	£	£
UK corporation tax at 30%	**2,629,129**	5,365,072

6. Dividends

	2001	2000
	£	£
Equity – ordinary		
First interim paid : £40 per £1 share	**4,000,000**	2,000,000
Final payment : £32.50 per £1 share	**3,250,000**	18,000,000
	7,250,000	20,000,000

Notes *(continued)*

7. Tangible fixed assets

	Furniture	Office Equipment	Total
	£	£	£
Cost			
At beginning of year	82,827	36,849	119,676
Additions during year	-	3,855	3,855
At end of year	**82,827**	**40,704**	**123,531**
Depreciation			
At beginning of year	80,669	26,330	106,999
Charge for year	955	5,482	6,437
At end of year	**81,624**	**31,812**	**113,436**
Net book value			
At 31 December 2001	**1,203**	**8,892**	**10,095**
At 31 December 2000	2,158	10,519	12,677

8. Debtors

	2001	2000
	£	£
Trade debtors	**112,792**	387,950
Other debtors	**28,464**	1,464,248
Prepayments and accrued income	**621,007**	593,231
	762,263	2,445,429

9. Creditors: amounts falling due within one year

	2001	2000
	£	£
Bank loan	**17,000,000**	7,715,000
Trade creditors	**44,898**	7,462
Other creditors	**5,086,880**	2,965,812
Accruals	**812,454**	892,846
Corporation tax payable	**698,246**	2,989,600
	23,642,478	14,570,720

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.

Notes *(continued)*

10. Share capital

	2001	2000
	£	£
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.

11. Notes to cash flow statement

a) *Analysis of cash flows*

	2001	2000
	£	£
Returns on investments and servicing of finance		
Interest received	**234,217**	468,675
Interest paid	**(1,100,188)**	(173,992)
	(865,971)	294,683
Financing		
Increase in borrowings	**9,285,000**	1,815,000
	9,285,000	1,815,000

b) *Analysis of net debt*

	At beginning of year	Cash flows	At end of year
	£	£	£
Cash at bank	558,279	878,938	**1,437,217**
Debt due within one year:			
Bank loan	(7,715,000)	(9,285,000)	**(17,000,000)**
Total	**(7,156,721)**	**(8,406,062)**	**(15,562,783)**

Notes *(continued)*

12. Reconciliation of movements in shareholders' funds	**2001**	**2000**
	£	**£**
Profit after taxation for the financial year	**6,034,075**	12,620,912
Dividends	**(7,250,000)**	(20,000,000)
Net (reduction)/increase in shareholders' funds	**(1,215,925)**	(7,379,088)
Opening shareholders' funds	**7,815,325**	15,194,413
Closing shareholders' funds	**6,599,400**	7,815,325

13. Related party disclosures

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

During the year the company was due administration fees totalling £981,608 *(2000: £1,462,000)* to The Miller Group Limited and £515,000 *(2000: £1,140,000)* to CEC Holdings Limited. At the year end £571,660 (*2000: £670,680)* was owed to The Miller Group Limited and £NIL (*2000: £140,000)* was owed to CEC Holdings Limited. £12,729,711 *(2000*: £6,234,242) was paid to The Miller Group Limited in respect of construction costs.