



**SKENE INVESTMENTS (ABERDEEN) LIMITED**  
(Company Number: 57524)

**DIRECTORS' REPORT AND ACCOUNTS**

31 JANUARY 2006



**Anderson Anderson & Brown**  
*Chartered Accountants*

**SKENE INVESTMENTS (ABERDEEN) LIMITED**  
**DIRECTORS' REPORT**



Directors: C P Skene (Chairman)  
Mrs A J K Skene  
I S McArthur  
P J Medley  
R M Skene  
Mrs J M Lindsay  
Miss P C Skene

Secretaries: Ledingham Chalmers LLP

Registered office: Johnstone House, 52-54 Rose Street, Aberdeen

The directors submit their report and the audited accounts of the company for the year ended 31 January 2006.

**RESULTS AND DIVIDENDS**

The profit for the year, amounting to £775,257 (2005 - £348,772), has been dealt with as shown in the profit and loss account. During the year the directors paid dividends of £27,000 (2005 - £nil).

**PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS**

The company is engaged in the provision of serviced apartments, serviced offices, the operation of communications and business centres and the leasing of retail establishments.

The directors are satisfied with the results for the year and are pleased to report continuing progress with the development of the former St Paul's Church site to provide additional serviced accommodation at Skene House Rosemount. Further accommodation has also been acquired at Skene House Holburn.

**DIRECTORS AND DIRECTORS' INTERESTS**

The directors of the company during the year ended 31 January 2006 were as noted above.

According to the register maintained as required under the Companies Act 1985, the directors' interests in the share capital of the company throughout the year were as follows:

	"A" ordinary shares	2006 & 2005 "B" ordinary shares
C P Skene	1,490,599*	-
Mrs A J K Skene	16,601*	-
R M Skene	-	22,016
Mrs J M Lindsay	-	22,016
Miss P C Skene	-	22,016

\* Includes 737,113 (2005 - 393,312) shares held as trustee (not beneficially held).


**SKENE INVESTMENTS (ABERDEEN) LIMITED**  
DIRECTORS' REPORT (continued)



**AUDITORS**

Anderson Anderson & Brown have expressed their willingness to continue in office and a resolution proposing their re-appointment will be submitted at the annual general meeting.

By order of the board

  
Director

**SKENE INVESTMENTS (ABERDEEN) LIMITED**  
**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 of the company for that period. In preparing those accounts, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether or not applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and,
- (d) 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 which enable them to ensure that the accounts 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.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS  
OF SKENE INVESTMENTS (ABERDEEN) LIMITED**



We have audited the accounts of Skene Investments (Aberdeen) Limited for the year ended 31 January 2006 on pages 5 to 17 which have been prepared under 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**

As described on page 3 the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts 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 or not 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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

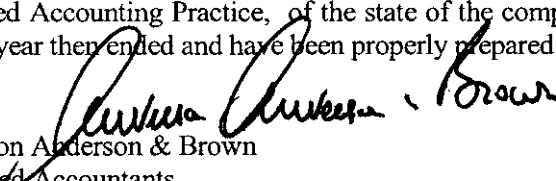
**Basis of opinion**

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 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 the 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 January 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Anderson Anderson & Brown  
Chartered Accountants  
Registered Auditors  
Aberdeen

15 June 2006

**SKENE INVESTMENTS (ABERDEEN) LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 JANUARY 2006**



	Note	2006 £	2005 £
TURNOVER	2	4,071,967	3,121,954
Cost of sales		<u>2,316,644</u>	<u>1,990,620</u>
GROSS PROFIT		1,755,323	1,131,334
Administrative expenses		<u>845,176</u>	<u>772,585</u>
OPERATING PROFIT	3	910,147	358,749
Loan forgiven		-	1,496,638
Write down of investment		-	(1,500,000)
Interest receivable		<u>201,110</u>	<u>134,315</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,111,257	489,702
Taxation	6	<u>336,000</u>	<u>140,930</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		775,257	348,772
Dividends	7	<u>27,000</u>	-
PROFIT FOR THE FINANCIAL YEAR		<u>£ 748,257</u>	<u>£ 348,772</u>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES**

		2006 £	2005 £
Reported profit on ordinary activities before taxation		1,111,257	489,702
Realisation of property revaluation gains of previous years	14	<u>-</u>	<u>8,444</u>
Historical cost profit on ordinary activities before taxation		<u>£ 1,111,257</u>	<u>£ 498,146</u>
Historical cost profit for the year after taxation		<u>£ 775,257</u>	<u>£ 357,216</u>

**SKENE INVESTMENTS (ABERDEEN) LIMITED**  
**BALANCE SHEET – 31 JANUARY 2006**



	Note	2006 £	2005 £
<b>FIXED ASSETS</b>			
Tangible assets	8	13,407,294	13,145,920
Investments	9	1,101,121	1,055,143
		<u>14,508,415</u>	<u>14,201,063</u>
<b>CURRENT ASSETS</b>			
Debtors:	10		
amounts falling due after one year		1,010,971	1,609,692
amounts falling due within one year		518,140	298,444
Cash at bank and in hand		3,930,233	2,676,968
		<u>5,459,344</u>	<u>4,585,104</u>
<b>CREDITORS: amounts falling due within one year</b>	11	862,207	463,872
<b>NET CURRENT ASSETS</b>		<u>4,597,137</u>	<u>4,121,232</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		19,105,552	18,322,295
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	12	265,944	230,944
		<u>£ 18,839,608</u>	<u>£ 18,091,351</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	1,573,248	1,573,248
Revaluation reserve	14	2,155,516	2,155,516
Profit and loss account	14	15,110,844	14,362,587
<b>SHAREHOLDERS' FUNDS</b>	14	<u>£ 18,839,608</u>	<u>£ 18,091,351</u>

Signed on behalf of the board of directors

  
 Director – C.P. Skene

15/6/06 Date

**SKENE INVESTMENTS (ABERDEEN) LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 JANUARY 2006**



	Note	2006 £	2005 £
Net cash inflow from operating activities	20	1,633,020	1,374,880
Returns on investments and servicing of finance	21	174,110	134,315
Taxation		(91,443)	(122,776)
Capital expenditure and financial investment	21	(462,422)	(264,644)
<b>Increase in cash in year</b>		<u>£ 1,253,265</u>	<u>£ 1,121,775</u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	Note	2006 £	2005 £
Increase in cash in the year		<u>1,253,265</u>	<u>1,121,775</u>
Change in net funds resulting from cash flows	22	1,253,265	1,121,775
<b>Net funds at 31 January 2005</b>	22	<u>2,676,968</u>	<u>1,555,193</u>
<b>Net funds at 31 January 2006</b>	22	<u>£ 3,930,233</u>	<u>£ 2,676,968</u>



1. ACCOUNTING POLICIES

(a) *Basis of accounts preparation*

The accounts are prepared under the historical cost convention, modified to include the revaluation of investment property and heritable property, and in accordance with applicable accounting standards.

(b) *Group accounts*

The company is exempt by virtue of Section 248 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements therefore present information about the company as an individual undertaking and not about its group.

(c) *Properties*

The company's properties comprise principally freehold land and buildings which are utilised in the provision of serviced accommodation on a short term basis. As noted below the buildings are not depreciated although components such as furniture and fittings are separately identified and depreciated accordingly.

The company's properties are subject to an annual impairment review by the directors in consultation with external valuers. No provision is made for depreciation and this departure from the requirement of the Companies Act 1985, which require all properties to be depreciated is, in the opinion of the directors, necessary for the accounts to show a true and fair view.

(d) *Depreciation*

Except for properties, the cost of fixed assets is written off over their expected useful lives as follows:

Plant, fixtures and fittings	5 - 10 years straight line
Motor vehicles	4 years straight line

(e) *Deferred taxation*

Provision is made for deferred taxation, using the liability method, on all timing differences to the extent that it is probable that the liability will crystallise.

(f) *Operating leases*

Rentals paid under operating leases are charged to income over the term of the lease.

1. ACCOUNTING POLICIES (continued)

(g) *Pensions*

The company operates two defined contribution pension schemes for the employees of the company and its related undertaking. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

(h) *Grants*

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

(i) *Investments*

Investments are stated at cost less provision for any permanent diminution in value.

2. TURNOVER

Turnover comprises the provision of goods and services in the UK which fall within the company's ordinary activities, net of value added tax.

3. OPERATING PROFIT *is stated after charging/(crediting):*

	2006 £	2005 £
Depreciation	171,098	141,452
Auditors' remuneration - audit services	6,000	5,800
- non audit services	8,300	8,300
Operating leases rentals - other	4,103	8,206
Gain on sale of fixed assets	<u>(16,028)</u>	<u>(41,637)</u>

4. STAFF COSTS AND NUMBERS

	2006 £	2005 £
Staff costs - wages and salaries	1,563,016	1,383,636
- social security costs	129,079	106,259
- other pension costs	31,927	30,072
	<u>£ 1,724,022</u>	<u>£ 1,519,967</u>

The average number of persons employed by the company during the year, including the directors, was 150 (2005 - 146).

5. DIRECTORS' REMUNERATION

	2006 £	2005 £
Emoluments (including benefits in kind)	412,396	396,160
Pension contributions	11,841	11,606
	<u>£ 424,237</u>	<u>£ 407,766</u>

The amounts in respect of the highest paid director are as follows:

	2006	2005
Emoluments (excluding pension contributions)	<u>£ 161,033</u>	<u>£ 158,408</u>

Payments were made to a defined contribution scheme on behalf of 4 directors (2005 - 4).

**SKENE INVESTMENTS (ABERDEEN) LIMITED**  
**NOTES ON THE ACCOUNTS – 31 JANUARY 2006**



6. TAXATION *charge based on the profit for the year comprises:*

	2006	2005
	£	£
Current year:		
Corporation tax	301,000	103,981
Deferred tax	35,000	31,000
	<u>336,000</u>	<u>134,981</u>
Prior years:		
Corporation tax	-	4,301
Deferred tax	-	1,648
	<u>£ 336,000</u>	<u>£ 140,930</u>

The tax charge above does not differ materially from the current tax charge that would result from applying the company's tax rate of 30% to its pre tax profits.

7. DIVIDENDS

	2006	2005
40.9p per ordinary "B" share paid (2005 - £nil)	<u>£ 27,000</u>	<u>£ -</u>

8. TANGIBLE FIXED ASSETS

	Investment property £	Land & buildings £	Plant, fixtures & fittings £	Motor vehicles £	Total £
<b>COST</b>					
At 1 February 2005	1,013,192	11,327,555	3,155,068	192,984	15,688,799
Additions	-	83,406	257,091	91,975	432,472
Disposals	-	-	-	(86,713)	(86,713)
Reclassification	(149,800)	149,800	-	-	-
At 31 January 2006	<u>863,392</u>	<u>11,560,761</u>	<u>3,412,159</u>	<u>198,246</u>	<u>16,034,558</u>
<b>DEPRECIATION</b>					
At 1 February 2005	-	-	2,383,394	159,485	2,542,879
Charge for year	-	-	129,604	41,494	171,098
Relating to disposals	-	-	-	(86,713)	(86,713)
At 31 January 2006	<u>-</u>	<u>-</u>	<u>2,512,998</u>	<u>114,266</u>	<u>2,627,264</u>
Net book amounts at:					
31 January 2006	<u>£ 863,392</u>	<u>£ 11,560,761</u>	<u>£ 899,161</u>	<u>£ 83,980</u>	<u>£ 13,407,294</u>
31 January 2005	<u>£ 1,013,192</u>	<u>£ 11,327,555</u>	<u>£ 771,674</u>	<u>£ 33,499</u>	<u>£ 13,145,920</u>

The investment properties and land and buildings have been valued by the directors based on a valuation as at 31 January 2002 received from external chartered surveyors and valuers.

The historical cost of investment properties and land and buildings included at valuation is £4,903,791 (2005 – £4,820,385).

9. FIXED ASSET INVESTMENTS

	2006 £	2005 £
At 31 January 2005	1,055,143	2,510,980
Additions in year	45,978	44,163
Impairment of investment	-	(1,500,000)
At 31 January 2006	<u>£ 1,101,121</u>	<u>£ 1,055,143</u>

9. FIXED ASSET INVESTMENTS (continued)

The company holds 100% of the share capital of the following company:

**Albyn Properties Limited**

<i> Holding:</i>	Ordinary shares
<i> Nature of business:</i>	Non trading
<i> Proportion of shares held:</i>	100%
<i> Aggregate capital and reserves:</i>	£nil

Additions in the year relate to an amount held in a corporate bond fund.

10. DEBTORS

	2006	2005
	£	£
Trade debtors	325,894	180,706
Amounts owed by related undertaking	1,010,971	1,609,692
Prepayments and accrued income	190,886	117,738
Other debtors	1,360	-
	<u>£ 1,529,111</u>	<u>£ 1,908,136</u>

Amounts owed by a related undertaking of £1,010,971 (2005 - £1,609,692) are due in more than one year.

11. CREDITORS: *amounts falling due within one year*

	2006	2005
	£	£
Trade creditors	204,628	90,234
Other creditors	10,108	2,873
Corporation tax	289,477	79,920
Other taxes and social security	153,818	160,630
Accruals and deferred income	204,176	130,215
	<u>£ 862,207</u>	<u>£ 463,872</u>

12. PROVISION FOR LIABILITIES AND CHARGES

The provision represents the maximum potential liability to deferred tax as follows:

	2006	2005
At 31 January 2006	<u>£ 265,944</u>	<u>£ 230,944</u>

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	2006 £	<b>Provided</b> 2005 £	2006 £	<b>Not provided</b> 2005 £
Capital allowances in advance of depreciation	265,944	230,944	-	-
Taxation on revaluation surplus	-	-	374,149	451,332
	<u>£ 265,944</u>	<u>£ 230,944</u>	<u>£ 374,149</u>	<u>451,332</u>

No deferred tax has been provided on the investment properties and land and buildings revalued on 31 January 2002 as there is no intention to sell these properties in the foreseeable future.

13. CALLED UP SHARE CAPITAL

	2006 & 2005 £
<b>Authorised:</b>	
“A” ordinary shares of £1 each	2,933,952
“B” ordinary shares of £1 each	66,048
	<u>£ 3,000,000</u>
<b>Allotted, called up and fully paid:</b>	
“A” ordinary shares of £1 each	1,507,200
“B” ordinary shares of £1 each	66,048
	<u>£ 1,573,248</u>

Both “A” and “B” ordinary shares carry the same rights and entitlements and rank pari passu (as if they constituted one class of share).

14. RECONCILIATION OF SHAREHOLDERS' FUNDS  
 AND MOVEMENTS ON RESERVES

	Share capital £	Revaluation reserve £	Profit and loss account £	Total £
At 31 January 2004	1,573,248	2,163,960	14,005,371	17,742,579
Surplus realised on disposal	-	(8,444)	8,444	-
Profit for the year	-	-	348,772	348,772
At 31 January 2005	1,573,248	2,155,516	14,362,587	18,091,351
Profit for the year	-	-	775,257	775,257
Dividends	-	-	(27,000)	(27,000)
At 31 January 2006	<u>£ 1,573,248</u>	<u>£ 2,155,516</u>	<u>£ 15,110,844</u>	<u>£ 18,839,608</u>

15. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £85,501 (2005 - £124,344).

16. PENSION COMMITMENTS

The company operates a personal pension plan for Skene Investments (Aberdeen) Limited and a related undertaking Skene Enterprises (Aberdeen) Limited. A defined contribution scheme is operated for two directors of the company. The assets of the schemes are held separately in independently administered funds. The pension cost charge represents contributions payable to the funds and amounted to £31,927 (2005 - £30,072).

17. OTHER FINANCIAL COMMITMENTS

At 31 January 2006 the company had annual commitments under non-cancellable operating leases as set out below:

	2006	Other 2005
<i>Operating leases which expire:</i>		
Within two to five years	<u>£ -</u>	<u>£ 4,103</u>



18. SECURITIES

The company has granted standard securities over the investment properties and a bond and floating charge over all the assets of the company.

The company has granted a guarantee in favour of the Bank of Scotland for payment of all sums due to the bank by Skene Enterprises (Aberdeen) Limited.

19. RELATED PARTY TRANSACTIONS

Debtors include amounts falling due after more than one year of £1,010,971 due from a related undertaking, Skene Enterprises (Aberdeen) Limited. Both companies are controlled by the same ultimate shareholders.

20. RECONCILIATION OF OPERATING PROFIT TO  
NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006	2005
	£	£
Operating profit	910,147	358,749
Depreciation	171,098	141,452
Decrease in debtors	379,025	886,637
Increase in creditors	188,778	29,679
Gain on sale of fixed assets	(16,028)	(41,637)
Net cash inflow from operating activities	<u>£ 1,633,020</u>	<u>£ 1,374,880</u>

21. ANALYSIS OF CASH FLOWS FOR HEADINGS IN THE CASH FLOW STATEMENT

	2006 £	2005 £
<b>Returns on investments and servicing of finance</b>		
Interest received	201,110	134,315
Dividends	(27,000)	-
	<hr/>	<hr/>
<b>Net cash inflow from returns on investments and servicing of finance</b>	<u>£ 174,110</u>	<u>£ 134,315</u>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(432,472)	(270,918)
Sale of tangible fixed assets	16,028	50,437
Payment to acquire fixed asset investment	(45,978)	(44,163)
	<hr/>	<hr/>
<b>Net cash outflow from capital expenditure and financial investment</b>	<u>£ (462,422)</u>	<u>£ (264,644)</u>

22. ANALYSIS OF NET FUNDS

	At 31 January 2005	Cash flow	At 31 January 2006
Cash at bank and in hand	<u>£ 2,676,968</u>	<u>£ 1,253,265</u>	<u>£ 3,930,233</u>