

FORSYTH BUSINESS CENTRES PLC

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 28 FEBRUARY 2007



**FORSYTH BUSINESS CENTRES PLC
REPORT & FINANCIAL STATEMENTS
Year Ended 28 February 2007**

| | |
|---------------------------|---|
| DIRECTORS: | D M Tandy S R McCabe S C McCabe B S Cameron J Gwillim David |
| SECRETARY: | D L Wnghtson |
| REGISTERED OFFICE. | 93 George Street Edinburgh EH2 3ES |
| REGISTERED NUMBER: | SC131116 |
| AUDITORS. | Mazars LLP 90 St Vincent Street Glasgow G2 5UB |
| BANKERS: | Bank of Scotland 21-23 Hill Street Mayfair London W1J 5JW |

FORSYTH BUSINESS CENTRES PLC

Directors' Report

The Directors present their report and the Financial Statements for the year ended 28 February 2007

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the Company is the provision and management of serviced office accommodation. Both the level of business for the year and the year end financial position were as anticipated and the Directors expect that the financial position will be improved in the 2008 financial year.

RESULTS AND DIVIDENDS

The results for the year are set out in detail on page 5. The directors do not recommend the payment of a dividend (2006 £Nil).

DIRECTORS AND THEIR INTERESTS

The Directors named below have held office for the whole of the year under review, unless otherwise stated.

B S Cameron – appointed 19 February 2007
J Gwillim David – appointed 19 February 2007
J L Burnley – resigned 21 July 2006
C M Di Ciacca – resigned 21 July 2006
S R McCabe
S C McCabe
D M Tandy

According to the register maintained as required under the Companies Act 1985, none of the Directors had any interest in the share capital of the Company.

D M Tandy, S R McCabe and S C McCabe are also directors of SPC Group plc, in whose accounts their interests in that company's share capital are shown.

There were no other interests notifiable under Section 324 of the Companies Act 1985.

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 of the Company for that year. 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,
- comply with applicable accounting standards, subject to any material departures disclosed and explained in the Financial Statements and,
- prepare the Financial Statements on the going concern basis unless it is appropriate to presume the company will continue in business.

The directors confirm that the Financial Statements comply with the above requirements.

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 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.

FORSYTH BUSINESS CENTRES PLC
Directors' Report (continued)

The directors have taken the steps that they ought of have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of

CREDITOR PAYMENT POLICY

The Company's current policy concerning the payment of its trade creditors is that payment is made at the end of the month following receipt and agreement of invoice

AUDITORS

A resolution to reappoint Mazars LLP as independent auditor to the company will be proposed at the Annual General Meeting

Approved by the Board on 26th September 2007 and signed on its behalf

A handwritten signature in black ink, appearing to be 'S R McCabe', written over a horizontal line.

S R McCabe
Director

Independent auditors' report to the members of Forsyth Business Centres plc

We have audited the financial statements of Forsyth Business Centres Plc for the year ended 28 February 2007 which comprise the Profit & Loss Account, Balance sheet and related notes. These financial statements 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 in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also 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 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 misstatement.

Basis of audit opinion

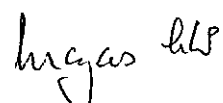
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 February 2007 and of its profit 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.


Mazars LLP
Chartered Accountants and Registered Auditors
90 St Vincent Street, Glasgow G2 5UB

27/9/07

FORSYTH BUSINESS CENTRES PLC

PROFIT & LOSS ACCOUNT **Year Ended 28 February 2007**

| | Notes | 2007 £ | 2006 £ |
|--|-------|--------------------|------------------|
| TURNOVER | 3 | 3,771,167 | 3,458,223 |
| Cost of Sales | | (4,852,454) | (3,204,173) |
| GROSS (LOSS)/PROFIT | | (1,081,287) | 254,050 |
| Administrative expenses | | (1,665,780) | (1,210,585) |
| Other operating income | 4 | 645,987 | 109,289 |
| OPERATING LOSS | 5 | (2,101,080) | (847,246) |
| Interest receivable and similar income | 6 | 37,415 | 68,385 |
| Interest payable and similar charges | 7 | (289) | (23,163) |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (2,063,954) | (802,024) |
| Taxation credit | 9 | 2,184,747 | 948,478 |
| RETAINED PROFIT FOR THE FINANCIAL YEAR | 16 | 120,793 | 146,454 |

There have been no recognised gains and losses in 2007 or 2006 other than those shown in the profit and loss account and therefore a statement of total recognised gains and losses has not been presented

The company's turnover and expenses all relate to continuing operations

FORSYTH BUSINESS CENTRES PLC

BALANCE SHEET

Year Ended 28 February 2007

| | Notes | 2007 £ | 2006 £ |
|--|-------|----------------|----------------|
| FIXED ASSETS | | | |
| Tangible fixed assets | 10 | 1,014,415 | 262,261 |
| CURRENT ASSETS | | | |
| Debtors | 11 | 4,353,192 | 2,147,890 |
| Cash at bank and in hand | | | 1,583,045 |
| | | 4,353,192 | 3,730,935 |
| CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR | 12 | (4,554,693) | (3,443,365) |
| NET CURRENT (LIABILITIES)/ASSETS | | (201,501) | 287,570 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 812,914 | 549,831 |
| PROVISION FOR LIABILITIES AND CHARGES | 14 | (231,271) | (88,981) |
| NET ASSETS | | 581,643 | 460,850 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 15 | 300,000 | 300,000 |
| Profit and loss account | 16 | 281,643 | 160,850 |
| EQUITY SHAREHOLDERS' FUNDS | 16 | 581,643 | 460,850 |

Approved by the Board on 26th September 2007 and signed on its behalf by



S R McCabe
Director

FORSYTH BUSINESS CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS **Year Ended 28 February 2007**

1. FUNDAMENTAL ACCOUNTING CONCEPT

The Financial Statements have been prepared under the going concern concept because the parent company has agreed to provide adequate funds for the company to meet its liabilities as they fall due

2. ACCOUNTING POLICIES

The Financial Statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards

(a) Turnover

Turnover represents income from serviced office accommodation, related services, and management fees accrued on a daily basis

(b) Depreciation

Fixed assets are depreciated over their useful lives of 2 to 4 years on a straight line basis

(c) Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal on fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- Deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

(d) Cash Flow Statements

In accordance with the Financial Reporting Standard 1 (revised) the company is exempt from the requirement to produce a cash flow statement on the basis that a consolidated cash flow statement is prepared by Scarborough Group Limited, the parent undertaking of the smallest group for which group accounts are drawn up and of which the company is a member

(e) Operating Leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term

(f) Pension Cost

The company makes contributions to a money purchase scheme, which is administered outside the company. The costs of contributions are charged to the profit and loss account when incurred

FORSYTH BUSINESS CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS **Year Ended 28 February 2007**

3 TURNOVER

Turnover arises wholly from continuing principal activities in the United Kingdom and is stated net of VAT

4. OTHER INCOME

| | 2007 £ | 2006 £ |
|-----------------|-----------|-----------|
| Reverse Premium | 645,987 | 109,289 |

5. OPERATING LOSS BEFORE TAXATION

| | 2007 £ | 2006 £ |
|---|-----------|-----------|
| This is stated after charging | | |
| Auditors' remuneration – audit services | 6,825 | 6,500 |
| Auditors' remuneration – non audit services | 6,224 | 6,190 |
| Operating lease charges – property | 3,166,463 | 2,335,807 |
| Operating lease charges – others | 14,231 | 9,395 |
| Depreciation of owned fixed assets | 225,749 | 133,597 |

6 INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2007 £ | 2006 £ |
|----------------|-----------|-----------|
| Bank interest | 35,262 | 65,008 |
| Other interest | 2,154 | 3,377 |
| | 37,416 | 68,385 |

7 INTEREST PAYABLE AND SIMILAR CHARGES

| | 2007 £ | 2006 £ |
|--|-----------|-----------|
| Interest payable to group undertakings | | 19,071 |
| Other interest | 289 | 4,092 |
| | 289 | 23,163 |

8. STAFF COSTS

| | 2007 £ | 2006 £ |
|-----------------------|-----------|-----------|
| Salaries | 493,441 | 465,920 |
| Temporary staff | 32,700 | 35,307 |
| Pension | 12,808 | 8,653 |
| Social Security costs | 56,654 | 43,791 |
| Other benefits | 11,287 | |
| | 606,890 | 553,671 |

FORSYTH BUSINESS CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS **Year Ended 28 February 2007**

8 STAFF COSTS (CONTINUED)

Directors' Emoluments

| | 2007 £ | 2006 £ |
|--|--------------|-----------|
| Emoluments | 2,959 | |
| Company pension contributions to money purchase scheme | 115 | |
| | <u>3,074</u> | <u></u> |

The average number of employees during the year was 25 (2006 19)

9 TAX ON LOSS ON ORDINARY ACTIVITIES

| | 2007 £ | 2006 £ |
|---|--------------------|------------------|
| a) The tax credit is made up as follows | | |
| Corporation tax – current year group relief | (2,214,710) | (940,187) |
| Corporation tax – prior year group relief | 29,963 | (8,291) |
| | <u>(2,184,747)</u> | <u>(948,478)</u> |

b) Factors affecting current tax credit

The tax assessed on the loss on ordinary activities for the year is not at the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are reconciled below

| | 2007 £ | 2006 £ |
|--|--------------------|------------------|
| Loss on ordinary activities | <u>(2,063,954)</u> | <u>(802,024)</u> |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%) | (619,186) | (240,607) |
| Group relief receipt | (1,550,297) | (658,131) |
| Transfer pricing adjustment | (32,100) | (20,544) |
| Adjustments in respect to prior year | 29,963 | (8,291) |
| Disallowed expenditure | 9,727 | 10,033 |
| Capital allowances in excess of depreciation | (22,854) | (30,938) |
| | <u>(2,184,747)</u> | <u>(948,478)</u> |

There are no unprovided deferred tax liabilities at the year end (2006 £Nil) There is a deferred tax asset of £43,457 (2006 £43,457) in respect of trading losses and £171,070 (2006 £136,320) in respect of accelerated capital allowances These have not been recognised as there is insufficient evidence as to their recoverability in the foreseeable future

c) Factors that may affect future tax charges

There are no significant known factors that may affect future tax charges, other than the profit on ordinary activities before tax for the year

FORSYTH BUSINESS CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS **Year Ended 28 February 2007**

10. TANGIBLE FIXED ASSETS

| | Equipment & Fittings £ | Computer Equipment £ | Total £ |
|-----------------------|------------------------------|----------------------------|------------|
| COST | | | |
| At 1 March 2006 | 1,187,573 | 117,493 | 1,305,066 |
| Additions | 935,493 | 42,410 | 977,903 |
| Disposals | | | |
| At 28 February 2007 | 2,123,066 | 159,903 | 2,282,969 |
| DEPRECIATION | | | |
| At 1 March 2006 | 936,102 | 106,703 | 1,042,805 |
| Charge for the year | 212,128 | 13,621 | 225,749 |
| Disposals | | | |
| At 28 February 2007 | 1,148,230 | 120,324 | 1,268,554 |
| NET BOOK VALUE | | | |
| At 28 February 2007 | 974,836 | 39,579 | 1,014,415 |
| At 28 February 2006 | 251,471 | 10,790 | 262,261 |

11. DEBTORS

| | 2007 £ | 2006 £ |
|--------------------------------|-----------|-----------|
| Trade debtors | 296,551 | 552,908 |
| Group relief receivable | 3,125,183 | 940,751 |
| Other taxation | 35,439 | 37,401 |
| Prepayments and accrued income | 775,042 | 588,462 |
| Other debtors | 120,977 | 28,368 |
| | 4,353,192 | 2,147,890 |

12. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2007 £ | 2006 £ |
|---|-----------|-----------|
| Bank loans and overdrafts | 435,153 | |
| Trade creditors | 413,423 | 335,687 |
| Accruals and deferred income | 3,165,905 | 2,641,144 |
| Other creditors including tax & social security | 540,212 | 466,534 |
| | 4,554,693 | 3,443,365 |

FORSYTH BUSINESS CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS **Year Ended 28 February 2007**

13. OPERATING LEASE COMMITMENTS

At 28 February 2007 the company has annual commitments under non cancellable operating leases, as set out below

| | 2007 £ | 2006 £ |
|---|-------------------|-------------------|
| Operating leases which expire within 1 year | | |
| Property | 734,444 | |
| Others | 3,217 | |
| Operating leases which expire between 2 and 5 years | | |
| Property | 1,392,990 | 2,127,434 |
| Others | 4,839 | 8,056 |
| Operating leases which expire after 5 years | | |
| Property | 1,036,637 | 1,036,637 |
| | <u> </u> | <u> </u> |

14. PROVISION FOR LIABILITIES AND CHARGES

| | 2007 £ | 2006 £ |
|-------------------------|----------------|---------------|
| Dilapidations Provision | | |
| At 1 March 2006 | 88,981 | |
| Provision in year | 142,290 | 88,981 |
| At 28 February 2007 | <u>231,271</u> | <u>88,981</u> |

At 28 February 2007 the company has provided for the estimated costs of dilapidation repairs over the terms of the operating leases to which they relate. The annual rate of provisioning is as set out below

| | | |
|-------------------------------|-------------------|-------------------|
| Operating leases which expire | | |
| Within 1 year | 52,273 | |
| Between 2 and 5 years | 61,669 | 168,640 |
| After 5 years | 48,639 | 48,639 |
| | <u> </u> | <u> </u> |

15. CALLED UP SHARE CAPITAL

| | 2007 £ | 2006 £ |
|------------------------------------|-------------------|-------------------|
| Authorised | | |
| Ordinary Shares of £1 each | 300,000 | 300,000 |
| | <u> </u> | <u> </u> |
| Allotted, called up and fully paid | | |
| Ordinary Shares of £1 each | 300,000 | 300,000 |
| | <u> </u> | <u> </u> |

FORSYTH BUSINESS CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS **Year Ended 28 February 2007**

16 RECONCILIATION OF SHAREHOLDERS' FUNDS

| | Share Capital £ | Profit & Loss Account £ | Total £ |
|---------------------|-----------------------|-------------------------------|------------|
| At 1 March 2006 | 300,000 | 160,850 | 460,850 |
| Profit for the year | | 120,793 | 120,793 |
| At 28 February 2007 | 300,000 | 281,643 | 581,643 |

17 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions allowed under FRS 8 relating to subsidiaries where 90% or more of the voting rights are controlled within the Scarborough Group Limited group and consequently has not disclosed details of transactions with Group undertakings

Associated Undertakings

K C McCabe is a shareholder and the Chairman of Sheffield United plc. Forsyth Business Centres plc agreed a £NIL (2006 £10,000) sponsorship deal with Sheffield United Football Club in relation to the club's Chinese subsidiary and a £20,000 (2006 £15,000) sponsorship deal with its academy. The amount outstanding at the year end in respect of this transaction was £NIL (2006 £10,000).

K C McCabe is a shareholder and the Chairman of Teesland plc. Subsidiary entities of Teesland plc were charged rent and other services of £79,247 (2006 £50,501) and £19,150 (2006 £16,021) respectively. At the year end the amount owed in respect of these transactions was £NIL (2006 £1,597). These companies also charged project management fees, planning supervision fees and secretarial services to Forsyth Business Centres plc amounting to £4,113 (2006 £NIL), £1,763 (2006 £NIL) and £294 (2006 £734) respectively. The amount outstanding in respect of these charges was £NIL (2006 £NIL).

K C McCabe is a director of Fairbnar plc, a company which was charged rent and services of £8,104 (2006 £NIL) and £692 (2006 £NIL) respectively during the year. The amount outstanding at the year end in respect of these transactions was £53 (2006 £NIL).

A pension scheme controlled by S R McCabe and S C McCabe charged rent and insurance of £26,438 (2006 £79,313) and £1,290 (2006 £1,290) respectively to the company. The amount outstanding at the year end in respect of these transactions was £NIL (2006 £NIL).

Other Related Party Transactions

During the year the company operated a Business Centre for SDG Ireland Limited for which it received a fee of £20,949 (2006 £20,072). K C McCabe and S C McCabe are also directors of SDG Ireland Limited. At the year end the amount owed in respect of these transactions was £NIL (2006 £NIL).

J L Burnley is a partner of a business which was charged rent and other services of £11,007 (2006 £8,478) and £2,984 (2006 £4,340) respectively. At the year end the amount owed in respect of these transactions was £1,631 (2006 £288).

J L Burnley, S C McCabe and S R McCabe are directors of a company which charged consultancy fees of £NIL (2006 £12,000) to the company during the year. At the year end the amount owed in respect of this transaction was £NIL (2006 £NIL).

FORSYTH BUSINESS CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS **Year Ended 28 February 2007**

18. CONTROLLING ENTITY

The ultimate parent undertaking and controlling party of the smallest and largest group for which group accounts are drawn up, and of which the company is a member, is Scarborough Group Limited, a company registered in England and Wales. Copies of Scarborough Group Limited's financial statements can be obtained from Europa House, 20 Esplanade, Scarborough, North Yorkshire YO11 2AQ.

The immediate holding company is SPC Group Limited, a company registered in England and Wales.

In the opinion of the directors, K C McCabe is the ultimate controlling party.

19. CONTINGENT LIABILITY

The company is party to a bank guarantee covering bank loans and overdrafts of Scarborough Property Company plc which at 28 February 2007 stood at £81,588,050 (2006 £60,653,974) secured by a bond and floating charge over all the assets of the respective companies.