Grant Thornton

# Financial statements Falconstate Limited

**For the year ended 31 March 2008**



**Company No.** 02867712

# Company information

| | |
|---|---|
| **Company registration number** | 02867712 |
| **Registered office** | 23 New Mount Street<br>Manchester<br>M4 4DE |
| **Directors** | Mr S J Millar<br>Mr C R L Phillips<br>Mr S Mealey |
| **Bankers** | Norwich Union<br>Surrey Street<br>Norwich<br>NR1 3NJ |
| | Bank of Ireland<br>1 Marsden Street<br>Manchester<br>M2 1HW |
| **Solicitors** | Halliwells LLP<br>3 Hardman Square<br>Manchester<br>M3 3EB |
| **Auditor** | Grant Thornton UK LLP<br>Chartered Accountants<br>Registered Auditors<br>1st Floor<br>Royal Liver Building<br>Liverpool<br>L3 1PS |

# Index

# Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 March 2008.

### Principal activity

The company did not trade during the year. During the year the company made a profit of £36,255 due to the write off of amounts owed to group undertakings of £577,488.

### Directors

The directors who served the company during the year were as follows:

Mr S J Millar
Mr C R L Phillips
Mr R I Harris
Mr S Mealey

Mr R I Harris resigned as a director on 22 July 2007.

### Directors' responsibilities

The directors are responsible for preparing the Report of the directors 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 judgements 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 so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information.

## Auditor

Grant Thornton UK LLP offer themselves for reappointment in accordance with section 385 of the Companies Act 1985.

## Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

ON BEHALF OF THE BOARD

Mr S J Millar
Director
13/03/09

Grant Thornton

# Report of the independent auditor to the members of Falconstate Limited

We have audited the financial statements of Falconstate Limited for the year ended 31 March 2008 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 16. 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 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 auditor

The directors' responsibilities for preparing the Report of the directors and the financial statements in accordance with United Kingdom law and 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 Report of the directors 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 Report of the directors 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 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.

# Report of the independent auditor to the members of Falconstate Limited (continued)

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 31 March 2008 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 Report of the directors is consistent with the financial statements.

**Emphasis of matter - going concern**

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures on page 7 of the financial statements concerning the company's ability to continue trading as a going concern. This outlines that the company has continuing support from its parent entity Your Space Plc, and other group companies.

The Group is currently in negotiations with its bankers to revise their existing facilities, to achieve a more manageable repayment schedule. The board are satisfied that the new terms of the facility will aid cashflow, and are confident that these new terms will be put in place following positive discussions with the Group's bankers. However, should this facility not be agreed, the Group would be required to find alternative sources of funding in the short term.

The Group is currently involved in discussions with a number of interested parties in relation to the disposal or part disposal of the assets of the Group along with the assumption of some of the Group's liabilities. The board consider that the outcome of these discussions will assist the Group in continuing to meet its liabilities as they fall due. However, if the outcome is not as expected, there exists a material uncertainty which casts doubt over the Group's ability to continue as a going concern.

Also the directors have prepared forecasts which support the ability of the Group to pay its debts as they fall due. However, achieving these forecasts is dependent on the construction contracts division generating new contracts. Given the uncertainty in the economy, there is a risk the forecast level of sales and cash may not be achieved.

This position, along with other events set out in the accounting policies, indicate the existence of a material uncertainty which may cast significant doubt about the company and the group's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS, CHARTERED ACCOUNTANTS
LIVERPOOL

13 Jun 2009

# Principal accounting policies

### Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable UK accounting standards.

The principal accounting policies remain unchanged from the previous year and are set out below.

### Going concern

The directors consider that the financial statements should be prepared on a going concern basis as the company has continuing support from its parent entity Your Space Plc. The directors believe that the parent entity is capable of honouring its agreements to provide sufficient funds to enable the company to continue to meet its liabilities as they fall due.

The Group are currently in negotiations with its bankers to renew their existing facilities. The board are satisfied that the new terms of the facility will aid cashflow, and are confident that these new terms will be achieved following positive discussions with the Group's bankers. However, should this facility not be agreed, the Group would be required to find alternative sources of funding in the short term.

The Group is currently in discussions with a number of interested parties to dispose of certain assets of the Group. The board will utilise the proceeds of any sale in continuing to meet the liabilities of the Group and the company as they fall due. However, if the discussions do not result in the disposal of these assets the group may be unable to pay its debts as they fall due. This creates a material uncertainty which casts significant doubt over the Company's ability to continue as a going concern.

The directors have also prepared a cashflow forecast. Reasonable enquires have been made and assumptions taken with regard to cashflow and sensitivities. The board is satisfied that should the lower of these estimates be achieved the Group will generate sufficient working capital to meet all of its liabilities. However, achieving this forecast is dependent upon the construction contracts division generating a sufficient level of new contracts and maintaining occupancy levels within the Group's business centre. Given the uncertainty in the economy, there is a risk the forecast level of sales and cash may not be achieved. In this event the directors would realise cash through the sale of certain properties. However, for the reasons set out above, should these property sales not be forthcoming, the Group might be unable to pay their debts as they fall due. This creates a material uncertainty over the ability of the Group to pay its debts as they fall due which casts significant doubt over the company's ability to continue as a going concern.

It is the opinion of the directors that contracted work and emerging deals for property renovation will materialise, the asset disposals will be achieved, the Group will continue to attract customers to its serviced offices and that the Group will deliver on its forecast. In addition, support from the Group's bankers is anticipated. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements. These financial statements do not include any adjustments that would result if the going concern basis of preparation is inappropriate.

### Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is small.

# Principal accounting policies

### Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year exclusive of VAT.

### Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date. The company does not operate a policy of discounting deferred tax balances.

### Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

# Profit and loss account

| | Note | 2008 £ | 2007 £ |
|---|---|---|---|
| Turnover | 1 | – | 35,257 |
| Other operating income / (charges) | 2 | **28,931** | (3,619) |
| **Operating profit** | 3 | **28,931** | 31,638 |
| Interest receivable | 5 | **94,582** | 215,104 |
| Interest payable and similar charges | 6 | **(87,258)** | (312,283) |
| **Profit/(loss) on ordinary activities before taxation** | | **36,255** | (65,541) |
| Tax on profit/(loss) on ordinary activities | 7 | – | 11,400 |
| **Profit/(loss) for the financial year** | 14 | **36,255** | (76,941) |

All of the activities of the company are classed as discontinued.

The company has no recognised gains or losses other than the results for the year as set out above.

# Balance sheet

| | Note | 2008 £ | 2007 £ |
|---|---|---|---|
| **Current assets** | | | |
| Cash at bank | | – | 5,033,960 |
| **Creditors: amounts falling due within one year** | 9 | – | 915,913 |
| **Net current assets** | | – | 4,118,047 |
| **Total assets less current liabilities** | | – | 4,118,047 |
| **Creditors: amounts falling due after more than one year** | 10 | – | 4,154,302 |
| | | – | (36,255) |
| **Capital and reserves** | | | |
| Called-up equity share capital | 13 | **100** | 100 |
| Profit and loss account | 14 | **(100)** | (36,355) |
| **Shareholders' deficit** | 15 | – | (36,255) |

These financial statements were approved by the directors and authorised for issue on 13/03/09, and are signed on their behalf by:

Mr S J Millar
Director

# Notes to the financial statements

## 1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company. An analysis of turnover is given below:

| | 2008 £ | 2007 £ |
|---|---|---|
| United Kingdom | - | 35,257 |

## 2 Other operating income / (charges)

| | 2008 £ | 2007 £ |
|---|---|---|
| Administrative expenses | 28,931 | (3,619) |

Included within administrative expenses is £577,478 in relation to a write off of amounts owed to group undertakings.

## 3 Operating profit

Operating profit is stated after crediting:

| | 2008 £ | 2007 £ |
|---|---|---|
| Write off of amounts owed to group undertakings | 577,478 | – |

The group audit fee has been met by the parent company.

## 4 Directors and employees

The company has no employees, therefore no wages or salaries have been paid during the year.

## 5 Interest receivable

| | 2008 £ | 2007 £ |
|---|---|---|
| Bank interest receivable | 94,582 | 215,104 |

## 6 Interest payable and similar charges

| | 2008 £ | 2007 £ |
|---|---|---|
| Interest payable on bank borrowing | 87,258 | 312,283 |

## 7 Taxation on ordinary activities

(a) Analysis of charge in the year

| | 2008 | 2007 |
|---|---|---|
| | £ | £ |
| Current tax: | | |
| UK Corporation tax based on the results for the year at 30% (2007 - 19%) | - | 11,400 |
| Total current tax | - | 11,400 |

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2007 - 19%).

| | 2008 | 2007 |
|---|---|---|
| | £ | £ |
| Profit/(loss) on ordinary activities before taxation | **36,255** | (65,541) |
| Profit/(loss) on ordinary activities by rate of tax | **10,877** | (12,453) |
| Expenses not deductible for tax purposes | - | 598 |
| Unrelieved tax losses | **71,522** | - |
| Effects of gains | - | 23,255 |
| Income not taxable | **(173,246)** | - |
| Effects of group relief | **90,847** | - |
| Total current tax (note 7(a)) | - | 11,400 |

## 8 Dividends

**Dividends on shares classed as equity**

| | 2008 | 2007 |
|---|---|---|
| | £ | £ |
| Paid during the year: | | |
| Equity dividends on ordinary shares - £nil per ordinary share (2007: £19,500 per share) | – | 1,950,000 |

## 9 Creditors: amounts falling due within one year

| | 2008 | 2007 |
|---|---|---|
| | £ | £ |
| Bank loans | – | 72,317 |
| Amounts owed to group undertakings | – | 790,955 |
| Corporation tax | – | 11,400 |
| Accruals and deferred income | – | 41,241 |
| | – | 915,913 |

## 10 Creditors: amounts falling due after more than one year

| | 2008 | 2007 |
|---|---|---|
| | £ | £ |
| Bank loans | – | 4,154,302 |

## 11 Creditors - bank loan

Creditors include borrowings which is due for repayment as follows:

| | 2008 | 2007 |
|---|---|---|
| | £ | £ |
| Amounts repayable: | | |
| In one year or less or on demand | – | 72,317 |
| In more than one year but not more than two years | – | 78,793 |
| In more than two years but not more than five years | – | 281,303 |
| In more than five years | – | 3,794,206 |
| | – | 4,226,619 |

The bank loans were fully repaid during the year.

## 12 Related party transactions

As a wholly-owned subsidiary of Your Space plc, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by Your Space plc on the grounds that consolidated financial statements are prepared and are publicly available from Companies House.

## 13 Share capital

Authorised share capital:

| | 2008 | 2007 |
|---|---|---|
| | £ | £ |
| 350,000 Ordinary shares of £1 each | **350,000** | 350,000 |

Allotted, called up and fully paid:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | No | £ | No | £ |
| Ordinary shares of £1 each | **100** | **100** | 100 | 100 |

## 14 Profit and loss account

| | 2008 | 2007 |
|---|---|---|
| | £ | £ |
| Balance brought forward | **(36,355)** | 1,990,586 |
| Profit/(loss) for the financial year | **36,255** | (76,941) |
| Equity dividends | – | (1,950,000) |
| Balance carried forward | **(100)** | (36,355) |

## 15 Reconciliation of movements in shareholders' funds

| | 2008 | 2007 |
|---|---|---|
| | £ | £ |
| Profit/(loss) for the financial year | **36,255** | (76,941) |
| Equity dividends (note 8) | **-** | (1,950,000) |
| Net addition/(reduction) to shareholders' funds / (deficit) | **36,255** | (2,026,941) |
| Opening shareholders' (deficit)/funds | **(36,255)** | 1,990,686 |
| Closing shareholders' deficit | **-** | (36,255) |

## 16 Ultimate parent company

The ultimate parent company is Your Space Plc, a company registered in England and Wales.

Your Space Plc prepares consolidated financial statements and copies of these may be obtained from 23 New Mount Street, Manchester, M4 4DE