

Teesland Management Services Limited

Report and Financial Statements

Year Ended 30 June 2006



Teesland Management Services Limited

REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2006

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Teesland Management Services Limited
DIRECTORS, OFFICERS AND PROFESSIONAL SERVICE PROVIDERS
For the year ended 30 June 2006

DIRECTORS

P Oliver
M Wilson
M Shepherd

SECRETARY

Teesland Secretarial Services Limited

REGISTERED OFFICE

Europa House
20 Esplanade
Scarborough
YO11 2AQ

AUDITORS

Ernst & Young LLP
Cloth Hall Court
14 King Street
Leeds
LS1 2JN

SOLICITORS

Shepherd & Wedderburn
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2ET

BANKERS

Bank of Scotland
155 Bishopsgate
London
EC2M 3YB

Teesland Management Services Limited

DIRECTORS' REPORT

For the year ended 30 June 2006

The directors present their report and the audited financial statements for the year ended 30 June 2006

PRINCIPAL ACTIVITY

The principal activity of the company is payment and recharge of expenditure for the Teesland plc group

RESULTS & DIVIDENDS

During the year the company made a loss of £744,936 (2005 profit of £202,785) The directors recommend that a dividend of £nil be paid (2005 £202,785) The directors are satisfied with the performance of the company in the year, and expect future performance to be satisfactory

DIRECTORS & THEIR INTERESTS

The directors who served during the year are as follows

K McCabe (resigned 2 March 2006)
P Oliver
M Wilson
M Shepherd

According to the register maintained as required by the Companies Act 1985, the above directors do not have any interest in the share capital of the company

Kevin McCabe is a director of the ultimate parent company, Scarborough Group Limited The directors' interests and share options in the ultimate parent company are shown in that company's directors' report

GOING CONCERN

The Directors believe it is appropriate to adopt the going concern basis in preparing the accounts of the Company as, after due consideration, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 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 UK 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 that 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Teesland Management Services Limited

DIRECTORS' REPORT

For the year ended 30 June 2006

PRINCIPAL RISKS AND UNCERTAINTIES

Due to the nature of the business, there are no material risks or uncertainties which require disclosure

KEY PERFORMANCE INDICATORS

Due to the nature of the business, key performance indicators are not applicable

CHANGE IN ACCOUNTING POLICY

The company has adopted FRS 21 'Events after the balance sheet date' and the presentation requirements of FRS 25 'Financial Instruments Disclosure and presentation'. The adoption of these standards represents a change in accounting policy and the comparative figures have been restated accordingly.

AUDITORS

The directors recommend that Ernst & Young LLP be re-appointed as auditors of the company.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the time of approving the Directors' report are listed on page 2. Having made appropriate enquiries each of these directors confirms that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.



Director

Date 25.4.2007

BY ORDER OF THE BOARD

Teesland Management Services Limited

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TEESLAND MANAGEMENT SERVICES LIMITED

We have audited the company's financial statements for the year ended 30 June 2006 which comprise the Profit & Loss, Balance Sheet, and the related notes 1 to 14. These financial statements have been prepared on the basis of 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

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (Generally Accepted Accounting Practice) as 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).

In addition, 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 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 other transactions 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 audit opinion

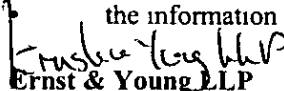
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 30 June 2006 and of its loss 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.


Ernst & Young LLP

Registered Auditor

Leeds

Date 26 April 2007

Teesland Management Services Limited
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Year Ended 30 June 2006 £	Year Ended 30 June 2005 (restated) £
TURNOVER	2	-	213,045
Administrative expenses		(11,170,551)	(4,247,891)
Income from recharging group expenses		10,153,714	4,313,180
OPERATING (LOSS)/ PROFIT	3	<u>(1,016,837)</u>	<u>278,334</u>
Bank interest receivable		5,825	5,043
Interest payable and similar charges	4	(4,671)	(7,315)
(LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(1,015,683)</u>	<u>276,062</u>
Taxation	6	270,747	(73,277)
(LOSS)/ PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	12	<u>(744,936)</u>	<u>202,785</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains and losses other than the loss for the year of £744,936 (year ended 30 June 2005 profit of £202,785) The results derive from continuing operations

The notes on pages 8 - 12 form part of these financial statements

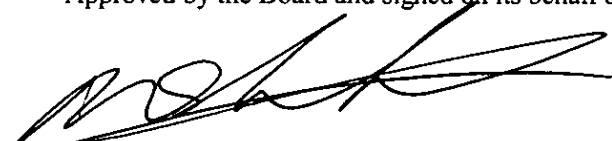
Teesland Management Services Limited

BALANCE SHEET

FOR THE YEAR ENDED 30 JUNE 2006

		30 June 2006	30 June 2005 (restated)
	Notes	£	£
FIXED ASSETS			
Tangible fixed assets	8	621,337	255,990
		<u>621,337</u>	<u>255,990</u>
CURRENT ASSETS			
Debtors	9	13,231,019	1,306,827
Cash at bank and in hand		<u>101,595</u>	<u>41,550</u>
		13,332,614	1,348,377
CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(14,698,457)	(1,401,152)
NET CURRENT LIABILITIES		<u>(1,365,843)</u>	<u>(52,775)</u>
NET (LIABILITIES)/ ASSETS		<u>(744,506)</u>	<u>203,215</u>
CAPITAL AND RESERVES			
Called up share capital	11	2	2
Profit and loss account	12	(744,508)	203,213
EQUITY SHAREHOLDERS' FUNDS	12	<u>(744,506)</u>	<u>203,215</u>

Approved by the Board and signed on its behalf by



Director

25.4.2007

The notes on pages 8 - 12 form part of these financial statements

Teesland Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted by the directors were applied consistently and are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern

As at 30 June 2006, the Company had net current liabilities of £1,365,843 (2005 £52,775) and net liabilities of £744,506 (2005 net assets of £203,215). The parent has undertaken to support the company for a period of not less than 12 months. As a result the going concern basis has been applied in the preparation of these financial statements.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

The company has adopted Financial Reporting Standard No. 19 'Deferred taxation' (FRS 19). Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Cash flow statement

As permitted by Financial Reporting Standard Number 1 (Revised 1986), a cash flow statement has not been prepared as the company is a wholly owned subsidiary of Teesland plc whose consolidated financial statements include the results of the group and are publicly available.

Change in accounting policy

In preparing the financial statements for the current year, the group has adopted FRS 21 'Events after the balance sheet date'. Dividends declared after the balance sheet date but before the financial statements are authorised for issue are not recognised as a liability at the balance sheet date because they do not meet the criteria of a present obligation in FRS 12.

The effect of the change in accounting policy was to increase net assets in 2005 by £202,785.

The adoption of the presentation requirements of FRS 25 'Financial Instruments: Disclosure and presentation' has resulted in a prior year adjustment being made with the equity distributions being debited directly to equity as opposed to being debited in the profit and loss account. This has not resulted in any change to the retained profit and loss brought forward.

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provisions for impairment. Depreciation is provided on fixed assets to write off the cost less the estimated residual value, in equal instalments over the estimated useful lives of the assets. The estimated useful lives of the assets is considered to be 3 years.

Teesland Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

ACCOUNTING POLICIES (Continued)

Pension costs

Payments made direct to employees' personal pension schemes are charged to the profit & loss account in the period to which they relate. Contributions payable to the Group's pension scheme, an insured defined contribution scheme, are charged to the profit and loss account in the period to which they relate.

2. TURNOVER

The turnover is attributable to the activities of property and project management. Turnover arises wholly from activities in the United Kingdom, and represents the amounts invoiced, excluding value added tax in respect of amounts receivable from management fees. As disclosed in the directors' report, the principal activity of the company has changed, and in future the income and profit attributable to the company will arise from the payment and recharging of Teesland plc group expenditure.

3. OPERATING LOSS/ PROFIT

	Year Ended 30 June 2006	Year Ended 30 June 2005
	£	£
Operating loss/ profit is stated after charging		
Auditors' remuneration – audit services	12,130	11,000
Auditors' remuneration – non audit services	15,970	11,700
Depreciation	141,652	54,555

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 30 June 2006	Year Ended 30 June 2005
	£	£
Bank loans and overdrafts	4,671	7,315
	4,671	7,315

5. STAFF COSTS & DIRECTORS EMOLUMENTS

	Year Ended 30 June 2006	Year Ended 30 June 2005
	£	£
Wages & salaries	6,045,078	471,139
Social security costs	629,239	55,014
Other pension costs	403,608	137,559
	7,077,925	663,712

The average number of employees during the period including directors was 77 (2005 39)

Additional employee costs have been incurred by other Teesland plc group companies. Full disclosure of Teesland plc employee costs have been disclosed in the accounts of the ultimate parent company.

Teesland Management Services Limited
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

6. TAXATION

	Year Ended 30 June 2006	Year Ended 30 June 2005
	£	£
(a) Tax on (loss)/profit on ordinary activities		
The tax (credit) / charge is made up as follows		
Current tax - UK Corporation tax	(264,761)	98,129
Prior year tax - UK Corporation tax	(15,785)	-
Total current tax	<u>(280,546)</u>	<u>98,129</u>
Deferred tax		
Original and reversal of timing differences	9,799	(24,852)
Tax on profit on ordinary activities	<u>(270,747)</u>	<u>73,277</u>

(b) Factors affecting current tax charge

The tax assessment on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30%. The differences are reconciled below

	Year Ended 30 June 2006	Year Ended 30 June 2005
	£	£
(Loss)/ Profit on ordinary activities before taxation	<u>(1,015,683)</u>	<u>276,062</u>
UK corporation tax – current year at 30%	(304,705)	82,819
Accelerated capital allowances	-	(1,559)
Prior period adjustment	(15,785)	-
Expenses not allowable for tax purposes	39,944	16,869
	<u>(280,546)</u>	<u>98,129</u>

(c) Deferred tax

The deferred tax included in the balance sheet is as follows

	Year Ended 30 June 2006	Year Ended 30 June 2005
	£	£
Decelerated capital allowances	<u>15,053</u>	<u>24,852</u>
	<u>15,053</u>	<u>24,852</u>
At 1 July	24,852	-
Deferred tax written off	(9,799)	-
Deferred tax credit	-	24,852
At 30 June	<u>15,053</u>	<u>24,852</u>

7. PROPOSED AND PAID DIVIDENDS

Dividends proposed in the year were £nil (2005 £202,785) Dividends paid in the year were £202,785 (2005 £nil)

Teesland Management Services Limited
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

8. FIXED ASSETS

	Computer & Office Equipment £	Fixtures & Fittings £	Leasehold Properties £	Total £
Cost:				
At 1 July 2005	187,102	30,332	180,210	397,644
Additions	162,687	28,868	315,444	506,999
At 30 June 2006	349,789	59,200	495,654	904,643
Depreciation:				
At 1 July 2005	(117,620)	(12,628)	(11,406)	(141,654)
Charge for the year	(76,853)	(14,644)	(50,155)	(141,652)
At 30 June 2006	(194,473)	(27,272)	(61,561)	(283,306)
Net Book Value:				
As at 30 June 2006	155,316	31,928	434,093	621,337
As at 30 June 2005	69,482	17,704	168,804	255,990

9. DEBTORS

	30 June 2006 £	30 June 2005 £
Trade debtors	141,229	428
Other debtors	5,379	2
Prepayments	350,057	227,159
Other taxes and social security	21,892	6,932
Corporation tax paid in advance	1,452,519	1,047,454
Deferred tax	15,053	24,852
Amounts due from group undertakings	11,244,890	-
	13,231,019	1,306,827

10. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 2006 £	30 June 2005 (restated) £
Trade creditors	142,965	161,372
Other creditors	7,815	-
Amounts due to group undertakings	12,832,510	694,941
Corporation tax	-	98,129
Accruals and deferred income	1,715,167	446,710
	14,698,457	1,401,152

11. CALLED UP SHARE CAPITAL

	30 June 2006 £	30 June 2005 £
<u>Authorised</u>		
1,000 Ordinary shares of £1 each	1,000	1,000
<u>Allotted, issued and fully paid</u>		
2 Ordinary shares of £1 each	2	2

Teesland Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

12. RECONCILIATION OF MOVEMENT IN RESERVES AND EQUITY SHAREHOLDERS' FUNDS

	Share Capital	Profit & Loss Account	Equity Shareholders' Funds
	£	£	£
As at 1 July 2005	2	428	430
Prior year adjustment FRS 21	-	202,785	202,785
As at 1 July 2005 (restated)	2	203,213	203,215
Result for the year	-	(744,936)	(744,936)
2005 final dividend paid	-	(202,785)	(202,785)
At 30 June 2006	2	(744,508)	(744,506)

13. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under FRS 8 from disclosing transactions with group companies

The company has undertaken transactions with various companies and joint ventures within the group of Scarborough Property Company plc and Scarborough Development Group plc. These groups are related to Teesland plc, the parent of Teesland Management Services Limited, by virtue of joint control, by Kevin McCabe, a director of Teesland plc.

The company made no sales to the above related parties (2005 £244,782)

The company recharged overheads of £205,116 to the above related parties (2005 £259,238)

Purchases totalling £196,322 for the year ended 30 June 2006 (2005 £220,544) were made from companies related by virtue of joint directors. £38,859 was outstanding at the year end (2005 £428)

Terms and conditions for related party transactions are on normal market terms

14. ULTIMATE & PARENT UNDERTAKING

The immediate parent undertaking is Teesland Holdings plc, and the ultimate parent undertaking is Scarborough Group Limited, a company registered in England and Wales Registration number 05308255. Copies of its group financial statements which include the company are available from its registered office Europa House, 20 Esplanade, Scarborough, North Yorkshire YO11 2AQ.