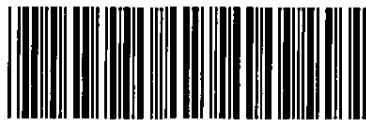


**STRATHDON MANAGEMENT LIMITED
REPORT AND ACCOUNTS**

For the year ended

31 MARCH 2008

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STRATHDON MANAGEMENT LIMITED

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STRATHDON MANAGEMENT LIMITED

DIRECTORS AND ADVISERS

DIRECTORS

S Hunt (appointed 24 October 2008)
D N Hudson (resigned 24 October 2008)
Strathdon Investments plc

SECRETARY

J E P Gervasio LL.B.

FUND MANAGER

YFM Venture Finance Limited
Saint Martins House
210-212 Chapeltown Road
Leeds LS7 4HZ

REGISTERED OFFICE

Saint Martins House
210-212 Chapeltown Road
Leeds LS7 4HZ

AUDITORS

Ernst & Young LLP
Registered Auditor
1 More London Place
London SE1 2AF

SOLICITORS

Keeble Hawson
Protection House
16-17 East Parade
Leeds LS1 2BR

COMPANY'S REGISTERED NUMBER

3722062

STRATHDON MANAGEMENT LIMITED

DIRECTORS' REPORT

The directors present their report and the accounts for the year ended 31 March 2008.

Activities

The principal activity of the company is to provide management services.

Review of business

The company's loss before taxation in the year increased to £720,426 from £490,996 in the prior year as a result of transition costs and the provision for bad and doubtful debts against management fees which are no longer considered to be recoverable.

Results for the period and dividends

The loss for the year after taxation was £720,426 (2007: £490,996). The directors do not recommend the payment of a dividend (2007: £nil).

Going Concern

After making due and careful enquiry, the directors have formed a judgement at the time of approving the financial statements that, given the planned realisation programme, there are reasonable expectations that the Company will have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors to continue to adopt a "going concern" basis in preparing the financial statements.

In arriving at their decision to prepare the finance statements on a going concern basis, the directors have reviewed the anticipated income and expenditure of the Company until 31 January 2010 and compared this with the Company's expected cash resources.

The going concern basis is dependent upon the continuing support of Strathdon Investments plc for a period of at least one year from the date of approval of these accounts, in respect of which the directors have received written confirmation. The directors believe that Strathdon Investments plc has sufficient funds to provide this assurance.

The consolidated accounts of Strathdon Investments plc highlight a fundamental uncertainty with regards to going concern since the ability of the Group to remain a going concern is ultimately dependent on the realisation of an illiquid portfolio of securities in extremely difficult market conditions, or a refinancing. There is considerable uncertainty over the timing and quantum of the proceeds from the realisation of the portfolio and of the ability of the company to refinance itself.

Until funds become available from such sources, the Company remains dependent on the Group's short term financing arrangements, in particular its bank overdraft, and the continuing agreement of YFM Venture Finance Limited and the directors to delay payment of their fees to the Company. As such, the financial statements of the Company do not include any adjustment that might arise from the inability to realise an illiquid portfolio of securities or refinance itself, which would result in the company ceasing to be a going concern. Such adjustments would include having to reduce the value of assets to their realisable amount, providing for any further liabilities which might arise, and reclassifying long-term liabilities as current.

STRATHDON MANAGEMENT LIMITED

DIRECTORS' REPORT (continued)

Directors and their interests

The directors who served during the year were:

M R D Roller (resigned 30 August 2007)
D N Hudson
Strathdon Investments plc

None of the directors had any direct interest in the share capital of the company. The interests of M R D Roller in the share capital of the ultimate parent company are shown in the accounts of that company. D N Hudson held an interest in 35,070 shares and 107,095 warrants in the ultimate parent company at the date of his appointment and at 31 March 2008.

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the Directors' Report are listed on page 2. Having made enquiries of fellow directors and of the Company's auditors, 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.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Auditors

The auditors, Ernst & Young LLP, have indicated their willingness to continue in office. A resolution to re-appoint them will be proposed at the next Annual General Meeting.

This report was approved by the Board of directors on 30 January 2009 and signed on its behalf by:



S Hunt
Director

STRATHDON MANAGEMENT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 the 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- 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.

STRATHDON MANAGEMENT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STRATHDON MANAGEMENT LIMITED

We have audited the company's financial statements for the year ended 31 March 2008 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 15. 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable 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 directors' report 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 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 31 March 2008 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.

STRATHDON MANAGEMENT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STRATHDON MANAGEMENT LIMITED (continued)

Emphasis of matter – going concern

In forming our opinion on the financial statements, we have considered the adequacy of the disclosure made in note 1 of the financial statements in regards to the director's review of the anticipated income and expenditure of the Company until 31 January 2010, including the need for parental support and consequently the anticipated realisation of the investment portfolio of Strathdon Investments plc ("the Group") or a refinancing deal. In view of the uncertainty over the proceeds and timing of the realisation of the Group's investment portfolio or a refinancing deal, there is indication of the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern. Our audit opinion is not qualified in this respect.



Ernst & Young LLP,
Registered Auditor
London 30 January 2009

STRATHDON MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 MARCH 2008


	Notes	2008 £	2007 £
Turnover	1	(634)	600,113
Administrative expenses		(719,823)	(1,091,740)
Operating loss	3	(720,457)	(491,627)
Bank interest receivable		31	631
Loss on ordinary activities before taxation		(720,426)	(490,996)
Tax on loss on ordinary activities	4	-	-
Retained loss for the financial year	10	(720,426)	(490,996)

All of the company's operations are classed as continuing. There were no gains or losses in either year other than those included in the above profit and loss account.

STRATHDON MANAGEMENT LIMITED**BALANCE SHEET as at 31 MARCH 2008**

	Notes	2008 £	2007 £
Fixed assets			
Tangible assets	5	-	5,053
Current assets			
Debtors	6	40,724	408,772
Cash at bank and in hand		1,152	6,035
		41,876	414,807
Creditors: amounts falling due within one year	7	(324,344)	(251,752)
Net current (liabilities) / assets		(282,468)	163,055
Total assets less current liabilities		(282,468)	168,108
Creditors: amounts falling due after more than one year	8	(6,484,464)	(6,214,614)
Net liabilities		(6,766,932)	(6,046,506)
Capital and reserves			
Called up share capital	9	2	2
Profit and loss account	10	(6,766,934)	(6,046,508)
Shareholders' (deficit) / funds	11	(6,766,932)	(6,046,506)

The accounts were approved and authorised for issue by the Board of directors on 30 January 2009 and signed on its behalf by


Simon Hunt
Director

STRATHDON MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2008

1 Accounting policies

Basis of preparation

The accounts have been prepared on a going concern basis and in accordance with applicable accounting standards. The accounting policies which follow set out those policies which apply in preparing the accounts for the year ended 31 March 2008.

The accounts have been prepared under the historical cost convention.

The going concern basis is dependent upon the continuing support of Strathdon Investments plc for a period of at least one year from the date of approval of these accounts, in respect of which the directors have received written confirmation. The directors believe that Strathdon Investments plc has sufficient funds to provide this assurance.

The consolidated accounts of Strathdon Investments plc disclose a fundamental uncertainty with regards to going concern since the ability of the Group to remain a going concern is ultimately dependent on the realisation of an illiquid portfolio of securities in extremely difficult market conditions, or a refinancing. There is considerable uncertainty over the timing and quantum of the proceeds from the realisation of the portfolio and of the ability of the Group to refinance itself.

Until funds become available from such sources, the Company remains dependent on the Group's short term financing arrangements, in particular its bank overdraft, and the continuing agreement of YFM Venture Finance Limited and the directors to delay payment of their fees to the Company. As such, the financial statements do not include any adjustments that might arise from the inability to realise an illiquid portfolio of securities or refinance itself, which would result in the Group ceasing to be a going concern. Such adjustments would include having to reduce the value of assets to their realisable amount, providing for any further liabilities which might arise, and reclassifying long-term liabilities as current.

Cashflow statement

The company has taken advantage of the exemption in FRS1 for the requirement to prepare a cash flow statement on the grounds that a consolidated cash flow statement has been prepared and included in the financial statements of Strathdon Investments plc (the ultimate parent company).

Turnover

Turnover represents amounts invoiced for the provision of goods and services, net of Value Added Tax.

Fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets concerned. The following annual rates are used.

Fixtures and fittings	-	33% reducing balance
Office equipment	-	33% straight line

Taxation

Tax on profit and loss for the year comprises current and deferred tax. Tax is recognised in the income statement except where it relates to an item recognised directly to equity in which case the related tax is also recognised directly to equity.

Current tax is the expected tax payable on the taxable income for the year, using rates enacted or substantively enacted at the balance sheet date and any adjustments in respect of prior years. Deferred tax is provided, using the balance sheet liability method.

STRATHDON MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2008 (continued)

Taxation (continued)

Deferred tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes with the following exceptions:

- i. Where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future;
- iii. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leases

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased asset at the inception of the lease. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

2	Employee information	2008	2007
		£	£
	Staff costs were:		
	Wages and salaries	240,790	669,210
	Social security costs	20,906	68,659
		<hr/>	<hr/>
		261,696	737,869
		<hr/>	<hr/>

The average number of persons, including directors, employed by the company during the year was:

	2008	2007
	Number	Number
Average number of employees	2	8
	<hr/>	<hr/>

Following the closure of the Winchester office the Company has no employees.

STRATHDON MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2008 (continued)

Directors' remuneration £ £

Directors' remuneration was paid in respect of directors as follows:

Aggregate emoluments	112,093	234,120
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The emoluments of the highest paid director who served in the period are as follows: £ £

Salary, benefits & compensation for loss of office	67,029	143,460
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3	Loss on ordinary activities before taxation is stated after charging:	2008 £	2007 £
	Auditors' remuneration - Audit of the financial statements	3,000	3,000
	Depreciation - Owned assets	5,028	8,016

Fees paid to the Company's auditors for services other than that statutory audit of the Company are not disclosed in the accounts of Strathdon Management Limited. The disclosure of non-audit fees are included on a consolidated basis in the accounts of the ultimate parent company Strathdon Investments plc.

4 Tax on loss on ordinary activities

No provision has been made for UK corporation tax as the company made a loss during the year.

<i>Tax reconciliation</i>	2008 £	2007 £
Loss on ordinary activities before tax	(720,426)	(490,996)
Loss on ordinary activities multiplied by the standard rate corporation tax in the UK of 30% (2007: 30%)	(216,128)	(147,299)
<i>Tax effects of</i>		
Expenses not deductible for tax purposes	57	3,085
Depreciation in excess of capital allowances	792	2,002
Tax losses not utilised	215,279	142,718
Accounting loss on disposal of fixed assets	-	(506)
Total current tax charge	-	-

STRATHDON MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2008 (continued)

5	Tangible fixed assets	Fixtures & fittings £	Office equipment £	Total £
	Cost			
	At 1 April 2007	4,262	7,524	11,786
	Additions	-	-	-
	Disposals	(4,262)	(7,524)	(11,786)
	At 31 March 2008	-	-	-
	Depreciation			
	At 1 April 2007	1,801	4,932	6,733
	Charge for the year	2,361	2,667	5,028
	Eliminated on Disposal	(4,162)	(7,599)	(11,761)
		-	-	-
	At 31 March 2008			
	Net book value			
	At 31 March 2007	2,461	2,592	5,053
	At 31 March 2008	-	-	-
6	Debtors		2008 £	2007 £
	Trade debtors		31,800	380,715
	Other debtors		7,378	16,352
	Prepayments and accrued income		1,546	11,705
			40,724	408,772
7	Creditors: amounts falling due within one year		2008 £	2007 £
	Trade creditors		147,715	39,228
	Other taxation and social security		-	13,567
	Accruals and deferred income		176,629	198,210
	Amounts owed to group undertakings		-	747
			324,344	251,752
8	Creditors: amounts falling due after more than one year		2008 £	2007 £
	Amounts owed to group undertakings		6,484,464	6,214,614

STRATHDON MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2008 (continued)

9	Called up share capital	2008	2007
		£	£
	Authorised		
	1,000 ordinary shares of £1 each	1,000	1,000
		<hr/>	<hr/>
	Allotted, called up and fully paid		
	2 ordinary shares of £1 each	2	2
		<hr/>	<hr/>
10	Reserves		£
	At 1 April 2007		(6,046,508)
	Retained loss for the year		(720,426)
			<hr/>
	At 31 March 2008		(6,766,934)
			<hr/>
11	Reconciliation of movements in shareholders' (deficit) / funds	2008	2007
		£	£
	Opening shareholders' (deficit) / funds	(6,046,506)	(5,555,510)
	Loss for the financial year	(720,426)	(490,996)
		<hr/>	<hr/>
	Closing shareholders' (deficit) / funds	(6,766,932)	(6,046,506)
		<hr/>	<hr/>

12 Lease commitments

Obligations under operating leases

At the year end, the company was committed to make the following payments during the next year in respect of operating leases which expire:

	2008	2008	2007	2007
	Land & Buildings	Other	Land & Buildings	Other
	£	£	£	£
Within one year	-	-	-	-
Within 2 to 5 years:	-	-	43,621	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	43,621	-
	<hr/>	<hr/>	<hr/>	<hr/>

On 10 September 2007 the lease for the 2nd floor accommodation at Canister House, Jewry Street, Winchester, was assigned for the remainder of the term to Crondall Energy Consultants Limited.

STRATHDON MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2008 (continued)

13	Deferred taxation	2008 £	2007 £
	The deferred tax asset is made up as follows and is based on a tax rate of 30%		
	Tax losses carried forward	1,822,010	1,728,204
	Unrecognised deferred tax asset	1,822,010	1,728,204

The amounts shown above as unrecognised deferred tax assets have not been recognised in the accounts as their recoverability is uncertain.

14 Ultimate parent company

The ultimate parent undertaking of the group is Strathdon Investments plc, a company registered in England and Wales. Copies of the parent company's financial statements can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF14 3UZ or the registered office, Saint Martins House, 210-212 Chapeltown Road, Leeds, LS7 4HZ.

15 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 8 from reporting related party transactions with its parent and fellow subsidiary undertakings.