

Scolocate Limited
ABBREVIATED ACCOUNTS
for the year ended
31 December 2008



AUDITOR'S REPORT TO SCLOCATE LIMITED UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts set out on pages 2 to 5, together with the financial statements of Scolocate Limited for the year ended 31 December 2008 prepared under Section 226 of the Companies Act 1985.

This report is made solely to the company, in accordance with section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special 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 for our work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and the auditor

The directors are responsible for preparing the abbreviated accounts in accordance with Section 246 of the Companies Act 1985. It is our responsibility to form an opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (6) of the Act to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with those provisions and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (6) of the Companies Act 1985, and the abbreviated accounts have been properly prepared in accordance with those provisions.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP

Registered Auditor

Chartered Accountants

Breckenridge House

274 Sauchiehall Street

Glasgow G2 3EH

20/5/09

SCOLOCATE LIMITED
ABBREVIATED BALANCE SHEET
31 December 2008

	Notes	2008 £	2007 £
FIXED ASSETS	1		
Tangible assets		<u>6,595,383</u>	<u>7,026,927</u>
CURRENT ASSETS			
Debtors		832,345	529,217
Cash at bank and in hand		<u>128</u>	<u>361</u>
		832,473	529,578
CREDITORS amounts falling due within one year		<u>10,532,788</u>	<u>10,758,756</u>
NET CURRENT LIABILITIES		<u>(9,700,315)</u>	<u>(10,229,178)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(3,104,932)</u>	<u>(3,202,251)</u>
CREDITORS amounts falling due after more than one year	2	6,292,033	6,223,646
PROVISIONS FOR LIABILITIES AND CHARGES		<u>60,000</u>	<u>60,000</u>
		<u>(9,456,965)</u>	<u>(9,485,897)</u>
CAPITAL AND RESERVES			
Called up equity share capital	3	<u>2</u>	<u>2</u>
Profit and loss account		<u>(9,456,967)</u>	<u>(9,485,899)</u>
DEFICIT		<u>(9,456,965)</u>	<u>(9,485,897)</u>

These abbreviated accounts have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

The abbreviated accounts on pages 2 to 5 were approved by the directors and authorised for issue on 11 May 2009 and are signed on their behalf by:

Director



SCOLOCATE LIMITED

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

The financial statements have been prepared on the going concern basis, which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continued support of the group's bankers through the renewal of its funding package. The present funding package consists of a series of loans amounting to £5,679,284 which are repayable in full on 31 March 2010. The loans were agreed following reorganisation of the group's finances in December 2004 which resulted in £7m of the group's debts being converted into deferred shares in the parent company, Scolocate (Holdings) Limited. The directors believe that the group's bankers will continue to support it, as they have done so in the past. The financial statements do not include any adjustments that may be necessary if the loan agreements are not renewed on their respective dates.

TURNOVER

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and services in the ordinary nature of the business. Turnover is shown net of Value Added Tax, of goods sold and services amounts invoiced during the year, exclusive of Value Added Tax.

Customer support and maintenance - revenue allocable to customer support and maintenance is recognised on a straight line basis over the terms of the support and maintenance contract. Revenue not recognised in the income statement under this policy is classified as deferred income in the balance sheet.

FIXED ASSETS

All fixed assets are initially recorded at cost.

DEPRECIATION

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold Improvements	- Unexpired lease term
Plant & Machinery	- 20-33% Straight Line

OPERATING LEASE AGREEMENTS

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

PENSION COSTS

The company operates a defined contribution pension scheme. Contributions payable for the period are charged in the profit and loss account.

FINANCIAL INSTRUMENTS

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

SCOLOCATE LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

for the year ended 31 December 2008

1 FIXED ASSETS

	Tangible Assets £
Cost	
At 1 January 2008	9,525,091
Additions	<u>311,215</u>
At 31 December 2008	<u>9,836,306</u>
Depreciation	
At 1 January 2008	2,498,164
Charge for year	<u>742,759</u>
At 31 December 2008	<u>3,240,923</u>
Net book value	
At 31 December 2008	<u>6,595,383</u>
At 31 December 2007	<u>7,026,927</u>

IMPAIRMENT REVIEW

The leasehold improvements of £7,398,047 represent the costs incurred to date in the development of the company's Co-Location facility. The original project consisted of five phases and the costs incurred to date represent the completion of the phases I, II, III, IIIa and IV. Depreciation is charged when the individual stage is complete. In response to the downturn in the telecommunications industry, the reduced demand for co-locational facilities and technological advances, the company has changed its strategy and has widened the range of services it provides, concentrating on the supply of value added services. The company's plan is fully supported by the company's shareholders and if the anticipated outcomes are achieved, the present carrying values will be valid.

2 CREDITORS amounts falling due after more than one year

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	2008 £	2007 £
Bank loans and overdrafts	5,679,284	5,610,897
Other creditors including taxation and social security	<u>612,749</u>	<u>612,749</u>
	<u>6,292,033</u>	<u>6,223,646</u>

3 SHARE CAPITAL

	2008 £	2007 £
Authorised:		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
	2008 £	2007 £
Allotted, called up and fully paid:		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

SCOLOCATE LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
for the year ended 31 December 2008

4 ULTIMATE PARENT COMPANY

The company is under the control of Scolocate (Holdings) Limited, a company incorporated in Scotland.