

Scolocate Limited
ABBREVIATED ACCOUNTS
for the year ended
31 December 2004



AUDITOR'S REPORT TO SCOLocate LIMITED PURSUANT TO SECTION 247B OF
THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 2 to 6, together with the financial statements of the company for the year ended 31 December 2004 prepared under Section 226 of the Companies Act 1985.

Respective responsibilities of the directors and the auditors

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 accounts to be delivered are properly prepared in accordance with those provisions and report our opinion to you.

Basis of opinion

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. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (6) of the Act, and the abbreviated accounts on pages 2 to 6 are properly prepared in accordance with those provisions.

BAKER TILLY

Registered Auditor
Chartered Accountants
& Registered Auditors
Breckenridge House
274 Sauchiehall Street
Glasgow G2 3EH

12/6/05

Scolocate Limited

ABBREVIATED BALANCE SHEET

31 December 2004

	Notes	2004 £	2003 £
FIXED ASSETS	1		
Tangible assets		<u>6,208,370</u>	<u>6,457,288</u>
CURRENT ASSETS			
Stocks		15,550	15,550
Debtors		251,683	287,539
Cash at bank and in hand		320	243,491
		<u>267,553</u>	<u>546,580</u>
CREDITORS amounts falling due within one year		<u>10,216,808</u>	<u>9,890,782</u>
NET CURRENT LIABILITIES		<u>(9,949,255)</u>	<u>(9,344,202)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(3,740,885)</u>	<u>(2,886,914)</u>
CREDITORS amounts falling due after more than one year	2	<u>5,001,498</u>	<u>4,749,940</u>
		<u>(8,742,383)</u>	<u>(7,636,854)</u>
CAPITAL AND RESERVES			
Called up equity share capital	3	<u>2</u>	<u>2</u>
Profit and loss account		<u>(8,742,385)</u>	<u>(7,636,856)</u>
DEFICIENCY		<u>(8,742,383)</u>	<u>(7,636,854)</u>

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

These abbreviated accounts were approved by the directors on 14 June 2005 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 June 2002).

The financial statements have been prepared on the going concern basis, which assumes that the company and its subsidiaries 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 £4,388,749 which are repayable in full on 1 January 2006. This package was agreed following a 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. This arrangement is due for review on 31 December 2005. 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

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

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	- 25 Years
Plant & Machinery	- 20-33% Straight Line

STOCKS

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

HIRE PURCHASE AGREEMENTS

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

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.

Scolocate Limited

ACCOUNTING POLICIES

PENSION COSTS

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

Scolocate Limited

NOTES TO THE ABBREVIATED ACCOUNTS for the year ended 31 December 2004

1 FIXED ASSETS

	Tangible Assets £
Cost	
At 1 January 2004	7,840,009
Additions	185,972
Disposals	(9,580)
At 31 December 2004	<u>8,016,401</u>
Depreciation	
At 1 January 2004	1,382,721
Charge for year	434,890
On disposals	(9,580)
At 31 December 2004	<u>1,808,031</u>
Net book value	
At 31 December 2004	<u>6,208,370</u>
At 31 December 2003	<u>6,457,288</u>

IMPAIRMENT REVIEW

The leasehold improvements of £7,220,579 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:

	2004 £	2003 £
Bank loans and overdrafts	4,388,749	4,137,191
Other creditors including taxation and social security	612,749	612,749
	<u>5,001,498</u>	<u>4,749,940</u>

Scolocate Limited

NOTES TO THE ABBREVIATED ACCOUNTS for the year ended 31 December 2004

3 SHARE CAPITAL

	2004 £	2003 £
Authorised:		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>
	2004 £	2003 £
Allotted, called up and fully paid:		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

4 ULTIMATE PARENT COMPANY

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