

Network Space Limited

Directors' report and financial
statements

Registered number 3674369

30 June 2007

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2007.

Principal activities

The principal activities of the company are property development and property investment.

Business performance

The company completed one site in the year, increasing the company total to 19 sites and 564,000 square feet. At the year end the company has 3 further sites totalling 143,000 square feet in build. These sites will all be complete by February 2008 and this will complete Phase 2 bringing total development by Network Space to 707,000 square feet over 22 sites.

During the year occupancy has averaged 85%. As a result operating profit is ahead of last year at £1.7m.

Principal risks and uncertainties

The company has a quarterly board meeting together with monthly operational meetings. Performance is monitored against detailed budget and revised forecasts are updated quarterly. This quarterly board meeting includes Managing Director's Report, development and property report, finance report, other operational issues and marketing report. To support the acquisition of the development sites a standard form of appraisal report consisting of marketing, technical and financial appraisal is prepared and presented by the Managing Director. The group engages independent lawyers to carry out the legal due diligence and key matters of the report are included in the appraisal. For each site the board will typically receive an outline project proposal report, a pre-planning application report, a pre-tender report and a post tender report. The company employs independent project managers to co-ordinate construction on all developments.

Key performance indicators

For completed investment property the company focuses on key rental statistics such as occupancy and passing rent together with site profitability. For development sites the company uses return on cost as its primary key performance indicator.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend (2006: *£nil*).

Directors and directors' interests

The directors who held office during the year were as follows:

W Ainscough	
J Downes	
J Walker	(Resigned: 1 October 2007)
T Johnston	
M Rogers	(Resigned: 1 October 2007)
N Mortimer	
M Jackson	
C Parker	(Appointed: 1 October 2007)
W Skilki	(Appointed: 1 October 2007)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

Discharge of Information to Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

M Jackson
Director

Centrix House
Crow Lane East
Newton Le Willows
WA12 9UY

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards.

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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ABCD

KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of Network Space Limited

We have audited the financial statements of Network Space Limited for the year ended 30 June 2007 which comprise the primary statements such as the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. 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 auditors

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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.

Independent auditors' report to the members of Network Space Limited *(continued)*

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2007 and of the group's 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 Directors' Report is consistent with the financial statements.

KPMG LLP
Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 30 June 2007

	<i>Note</i>	2007 £	2006 £
Revenue	2	3,357,775	2,867,744
Expenses		(1,674,361)	(1,299,412)
		<hr/>	<hr/>
Operating profit		1,683,414	1,568,332
Interest receivable and similar income		919	4,670
Interest payable and similar charges		(630,437)	(399,603)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	1,053,896	1,173,399
Tax on profit on ordinary activities	5	279,178	(340,689)
		<hr/>	<hr/>
Retained profit for the year		1,333,074	832,710
		<hr/> <hr/>	<hr/> <hr/>

A statement of movements on reserves is given in note 12.

All revenue and operating profits are derived from continuing operations.

Balance sheet
at 30 June 2007

	<i>Note</i>	2007		2006	
		£	£	£	£
Fixed assets					
Tangible assets	6		44,202,747		34,746,430
Current assets					
Debtors	7		591,752		210,435
			<u>591,752</u>		<u>210,435</u>
Creditors: amounts falling due within one year	8		(5,964,953)		(4,231,043)
Net current liabilities			(5,373,201)		(4,020,608)
Total assets less current liabilities			38,829,546		30,725,822
Creditors: amounts falling due after more than one year	9		(20,000,000)		(13,500,000)
Provisions for liabilities and charges	10		(827,476)		(1,141,542)
Net assets			18,002,070		16,084,280
Capital and reserves					
Equity share capital	11		7,500,100		7,500,100
Profit and loss account	12		3,942,188		2,609,114
Revaluation reserve	12		6,559,782		5,975,066
Shareholders' funds	13		18,002,070		16,084,280

These financial statements were approved by the board of directors on behalf by:

and were signed on its

M Jackson
Director

N Mortimer
Director

Statement of total recognised gains and losses
for the year ended 30 June 2007

	2007 £000	2006 £000
Profit for the financial year	1,333,074	832,710
Revaluation of properties	584,716	2,004,281
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	1,917,790	2,836,991
	<hr/> <hr/>	<hr/> <hr/>

Note of historical cost profits and losses
for the year ended 30 June 2007

	2007 £000	2006 £000
Reported profit on ordinary activities before taxation	1,053,896	1,173,399
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	1,053,896	1,173,399
	<hr/>	<hr/>
Historical cost profit for the year retained after taxation	1,333,074	832,710
	<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of investment properties.

As permitted by Financial Reporting Standard 1, the company has not included a cash flow statement as part of the financial statements, on the grounds of its size.

Fixed assets and depreciation

In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, and no depreciation or amortisation is provided in respect of freehold investment properties. This treatment may be a departure from the requirements of the Companies Act regarding depreciation of fixed assets but the directors consider that this accounting policy is necessary for the accounts to give a true and fair view, as the properties are held for investment not consumption. Depreciation or amortisation is only one of the factors reflected in the annual valuations, and the amount which might otherwise have been shown cannot be separately identified or quantified. The properties have previously been valued at the directors' estimate of open market values. This year properties have been valued by an external surveyor as described in note 6.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19.

Grant income

Grant income is shown as a deduction against the cost of investment properties. This accounting treatment is not in accordance with Schedule 4 to the Companies Act 1985, under which the investment properties should be stated at their purchase price or production cost and the grant income treated as deferred income and released to the profit and loss account over the useful life of the corresponding assets. The directors are of the opinion that these assets have no finite economic lives and the grant income would therefore remain in the balance sheet in perpetuity. The treatment otherwise required by the Companies Act 1985 would not present a true and fair view of the company's effective investment in investment properties.

Related Parties

Under the provisions of FRS8 "Related Party Transactions" the Company is exempt from the requirement to disclose details of transactions with group companies.

Notes (continued)

2 Revenue

Revenue represents the rental income receivable in the year, amounts (excluding value added tax) derived from the provision of site services to customers during the year.

3 Profit on ordinary activities before taxation

	2007	2006
	£	£
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration - Audit	12,000	10,000
- Non-audit	14,000	13,100
	12,000	13,100

4 Employee costs and remuneration of directors

No directors' remuneration was paid in the year. The company had no employees during the year.

5 Taxation

On 21 March 2007, it was announced that the standard rate of corporation tax will change to 28% and that there will be changes to capital allowance legislation, impacting on the calculation of the deferred tax provision of the company. These changes will be introduced for taxable periods beginning on or after 1 April 2008. For the purpose of the company accounts for 30 June 2007, the standard rate of corporation tax and capital allowance legislation prior to these changes has been applied.

	2007	2006
	£	£
<i>UK corporation tax</i>		
Current tax charge	34,888	-
Deferred tax (see note 10)	(314,066)	340,689
	(279,178)	340,689

The tax assessed for the year is lower (2006: lower) than the standard rate of corporation tax in the UK (30%), (2006: 30%). The differences are explained below:

	2007	2006
	£	£
Profit on ordinary activities before taxation	1,053,896	1,173,399
Current tax at 30% (2006: 30%)	316,169	352,020
Capital allowances for year in excess of depreciation	(180,275)	(132,823)
Movement in tax losses	(101,006)	(219,197)
	34,888	-

Factors that may affect future tax charges

Based on the current capital investment plans, the group expects to continue to be able to claim capital allowances in excess of depreciation in future years.

Notes (continued)

6 Tangible fixed assets

	Investment properties £	Investment properties under development £	Total £
<i>Cost or valuation</i>			
At 30 June 2006	32,223,998	2,522,432	34,746,430
Transfer in year	1,816,647	(1,816,647)	-
Additions	247,772	9,549,699	9,797,471
Grants and contributions	5,867	(931,737)	(925,870)
Revaluations	584,716	-	584,716
	<hr/>	<hr/>	<hr/>
At 30 June 2007	34,879,000	9,323,747	44,202,747
	<hr/>	<hr/>	<hr/>

Investment properties were independently valued as at 30 June 2007 by Knight Frank LLP, Chartered Surveyors in accordance with the Appraisal and Valuation manual of the Royal Institute of Chartered Surveyors, on the basis of open market value.

7 Debtors

	2007 £	2006 £
Trade debtors	139,446	64,415
Other debtors	452,306	146,020
	<hr/>	<hr/>
	591,752	210,435
	<hr/>	<hr/>

8 Creditors: amounts falling due within one year

	2007 £	2006 £
Bank overdraft	2,073,409	2,036,310
Trade creditors	58,526	42,318
Corporation Tax	34,888	-
Deposits	374,668	305,508
Accruals and deferred income	3,052,196	1,501,192
Rents in advance	371,266	345,715
	<hr/>	<hr/>
	5,964,953	4,231,043
	<hr/>	<hr/>

Notes (continued)

9 Creditors: amounts falling due after more than one year

	2007 £	2006 £
Bank loan	12,500,000	6,000,000
Loan stock owed to parent company	7,500,000	7,500,000
	20,000,000	13,500,000
	20,000,000	13,500,000

The Bank loans and overdraft are secured by fixed and floating charges on certain investment properties of the Company. The bank loan and overdraft are repayable between two and five years (2006: *between two and five years*).

	2007 £	2006 £
Under one year	-	-
Between one and two years	-	-
Between two and five years	20,000,000	13,500,000
After five years	-	-
	20,000,000	13,500,000
	20,000,000	13,500,000

Unless repaid earlier by the company, the loan stock will be repaid at par on 1 October 2009. No interest is charged on the loan, except for default interest on any amount not paid on the due date at 4% above base rate.

10 Provisions for liabilities and charges

	Deferred taxation £
At beginning of year	1,141,542
Change in rate of deferred tax	(76,103)
Current year movement	(117,500)
Adjustment in respect of prior years	(120,463)
	827,476
At end of year	827,476

The amounts provided for deferred taxation are set out below:

	2007 £	2006 £
Capital allowance for period in excess of depreciation	827,476	1,149,283
Other timing differences	-	(7,741)
	827,476	1,141,542
	827,476	1,141,542

In addition to the above, the company have revalued their freehold land and buildings by £6,559,782. The maximum potential liability, ignoring indexation allowances that could arise if these assets were sold at this amount, would be £1,967,935.

Notes *(continued)*

11 Called up share capital

	2007	2006
	£	£
<i>Authorised, allotted, called up and fully paid</i>		
49 Ordinary 'A' shares of £1 each	49	49
51 Ordinary 'B' shares of £1 each	51	51
7,500,000 'C' shares of £1 each	7,500,000	7,500,000
	<hr/>	<hr/>
	7,500,100	7,500,100
	<hr/> <hr/>	<hr/> <hr/>

'A' shares, 'B' shares and 'C' shares are separate classes of shares and rank pari passu in all respects for the following:

Rights of the 'C' shares

Income

The profits of the company available for dividend and resolved to be distributed in respect of each financial year of the company shall be applied first in payment of dividends to the holders of 'A;' shares and 'B' shares but so that the gross amount so paid in respect of each financial year shall not exceed £20,000,000 and the balance (if any) of such profits should be distributed by way of dividend as to 99/100 to the holders of the 'A' shares and the 'B' shares and as to 1/100 to the holders of the 'C' shares.

Capital

On a return of capital on a winding up or otherwise the assets of the company available for distribution amongst the members shall be applied first in repayments to the holders of the 'A' shares and the 'B' shares of the amount paid up on such shares together with a premium of £1,000,000 per share. The balance of such assets shall be distributed amongst the holders of the 'A' shares, the 'B' shares and the 'C' shares rateably according to the amounts paid up on such shares. This is provided the amount payable to the holders of the 'C' shares shall not in any event exceed the amount paid up on the 'C' shares, and the 'C' shares shall not entitle the holders thereof to any further or other right of participation in the assets of the company.

Voting

The 'C' share shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the company.

Notes (continued)

12 Reserves

	Investment property revaluation reserve £	Profit and loss account £	Total £
At beginning of year	5,975,066	2,609,114	8,584,180
Profit and loss account for the year	-	1,333,074	1,333,074
Property revaluations	584,716	-	584,716
	<hr/>	<hr/>	<hr/>
At end of year	6,559,782	3,942,188	10,501,970
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

13 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit for the financial year	1,333,074	832,710
Revaluation of properties	584,716	2,004,281
	<hr/>	<hr/>
Net addition to shareholders' funds	1,917,790	2,836,991
Opening shareholders' funds	16,084,280	13,247,289
	<hr/>	<hr/>
Closing shareholders' funds	18,002,070	16,084,280
	<hr/> <hr/>	<hr/> <hr/>

14 Ultimate holding company

The parent and ultimate controlling party of the company is Langtree Group plc, a company registered in England and Wales, which heads the only group into which the results of the Company are consolidated. The address of the Langtree Group plc is Centrix House, Crow Lane East, Newton le Willows, WA12 9UY.