

**Teesland Development Management Limited  
(formerly Teesland Management Services Limited)**

**Report and Financial Statements**

**Year Ended 30 June 2003**



# Teesland Development Management Limited

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# **Teesland Development Management Limited**

## **DIRECTORS' AND OFFICERS**

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### **DIRECTORS**

K McCabe  
S McBride  
P Oliver  
A Murray  
J Brophy

### **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**

Denton Wilde Sapte  
Five Chancery Lane  
Clifford's Inn  
London  
EC4A 1BU

### **BANKERS**

Bank of Scotland  
The Mound  
Edinburgh  
EH1 1YZ

# Teesland Development Management Limited

## DIRECTORS REPORT

The directors present their report and the audited financial statements for the year ended 30 June 2003.

### PRINCIPAL ACTIVITY

The principal activity of the company is the management of commercial, industrial and residential properties. Turnover was derived from UK activities, the company made a profit during this period of £451,994 (2002 : loss of £16,898). On 3 July 2003 the company changed its name from Teesland Management Services Limited to Teesland Development Management Limited.

### DIVIDENDS

The directors recommend that no dividend be paid.

### DIRECTORS & THEIR INTERESTS

The directors who held office for the whole of the year, unless otherwise stated, are named below:

S McBride  
P Oliver  
K McCabe  
A Murray  
J Brophy (appointed 2 December 2002)

No directors held shares in the company during period. The interests of the directors in the shares of the ultimate parent undertaking at the year end, Teesland plc are as follows:

K McCabe	8,287,703 10 pence Ordinary Shares
S McBride	1,718,147 10 pence Ordinary Shares
P Oliver	1,703,465 10 pence Ordinary Shares
A Murray	212,000 10 pence Ordinary Shares

### DIRECTORS' RESPONSIBILITIES

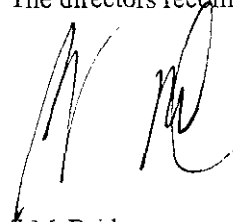
The directors required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year.

The directors confirm that suitable accounting policies have been used and applied consistently and prudent and reasonable judgments and estimates have been made in the preparation of the financial statements for the year ended 30 June 2003. The directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to ensure that the financial statements comply with 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.

### AUDITORS

The directors recommend that Ernst & Young LLP be reappointed as auditors of the company



13/11/03

S McBride  
Director

BY ORDER OF THE BOARD

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF TEESLAND DEVELOPMENT MANAGEMENT LIMITED**

We have audited the company's financial statements for the year ended 30 June 2003 which comprise Profit & Loss, Balance Sheet, Statement of Total Recognised Gains & Losses 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**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 transactions with the company 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 United Kingdom Auditing Standards 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 of the state of affairs of the company as at 30 June 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*  
**Ernst & Young LLP**  
Registered Auditor  
Leeds

Date 17 November 2003

**Teesland Development Management Limited**  
**PROFIT & LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 JUNE 2003**

	Notes	Year Ended 30 June 2003 £	Period Ended 30 June 2002 £
<b>TURNOVER</b>	2	2,609,346	3,181,125
<b>COST OF SALES</b>		(8,500)	-
<b>GROSS PROFIT</b>		2,600,846	3,181,125
Administrative expenses		(1,914,844)	(3,199,670)
<b>OPERATING PROFIT / (LOSS)</b>	4	686,002	(18,545)
Interest receivable		7	3,319
Interest payable and similar charges	3	(41,298)	(1,672)
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		644,711	(16,898)
Taxation	7	(192,717)	-
<b>RETAINED PROFIT / (LOSS) FOR THE YEAR/ PERIOD</b>		451,994	(16,898)

The movement in reserves is set out in note 12.

There is no difference between the profit on ordinary activities before taxation and the profit for the period stated above and their historical cost equivalents.

The above results derive from continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

There were no recognised gains & losses other than the profit for the year of £451,994 (15 month period ended 30 June 2002: loss £16,898).

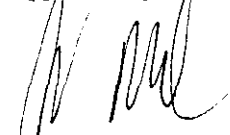
# Teesland Development Management Limited

## BALANCE SHEET

AS AT 30 JUNE 2003

	Notes	30 June 2003 £	30 June 2002 £
<b>FIXED ASSETS</b>			
Investment	8	1	1
		<u>1</u>	<u>1</u>
<b>CURRENT ASSETS</b>			
Debtors	9	1,809,336	612,438
Cash at bank and in hand		34,244	-
		<u>1,843,580</u>	<u>612,438</u>
<b>CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	10	(1,347,895)	(568,747)
<b>NET CURRENT ASSETS</b>		<u>495,685</u>	<u>43,691</u>
<b>NET ASSETS</b>		<u>495,686</u>	<u>43,692</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	2	2
Profit & loss account	12	495,684	43,690
<b>EQUITY SHAREHOLDERS' FUNDS</b>	13	<u>495,686</u>	<u>43,692</u>

Approved by the Board and signed on its behalf by:



13/11/03

Director

# Teesland Development Management Limited

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2003

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### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

#### Accounting Convention

The financial statements are prepared under the historical cost convention.

#### Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

#### Investment Properties

Certain of the group's properties are held for a long term investment. Investment Properties are accounted for in accordance with SSAP19, as follows:

- Investment Properties are re-valued annually. The surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the period and;
- No depreciation is provided in respect of freehold Investment Properties and Leasehold Investment Properties with over 20 years to run.  
Although the Companies Act 1985 would normally require the systematic annual depreciation of fixed assets, the Directors believe that this policy of not providing depreciation is necessary in order for the accounts to give a true and fair view, since the current value of investment properties, and changes in the current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

#### Depreciation

Depreciation is provided to write off the cost less estimated residual value of fixed assets as follows:

Equipment & fittings	20% per annum on cost
Motor vehicles	25% per annum reducing balance basis
Computer equipment	25% per annum on cost

#### Deferred Tax

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 taxes 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.

#### 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.



# Teesland Development Management Limited

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2003

### 2. TURNOVER

The turnover and profit before taxation are attributable to the principal continuing activities, that of property and project management. Turnover arises wholly from continuing activities in the United Kingdom, and represents the amounts invoiced, excluding value added tax in respect of amounts receivable from management fees.

### 3. INTEREST PAYABLE

	Year Ended 30 June 2003	Period Ended 30 June 2002
	£	£
Bank Loans and overdrafts	41,298	1,672
	<u>41,298</u>	<u>1,672</u>

### 4. OPERATING PROFIT / (LOSS)

	Year Ended 30 June 2003	Period Ended 30 June 2002
	£	£
Operating profit / (loss) is stated after charging:		
Amortisation of prepaid management services fee	-	400,000
Depreciation of owned tangible fixed assets	-	149,138
Auditors' remuneration – audit services	1,950	10,840
Auditor's remuneration – non audit services	<u>12,126</u>	<u>17,542</u>

### 5. DIRECTORS EMOLUMENTS

	Year Ended 30 June 2003	Period Ended 30 June 2002
	£	£
Amounts paid to third parties in respect of Director's services	<u>-</u>	<u>509,917</u>

In the prior year, amounts paid to third parties in respect of the highest paid Director was £150,000.

### 6. STAFF COSTS

	Year Ended 30 June 2003	Period Ended 30 June 2002
	£	£
Wages & salaries	1,572,135	2,197,646
Social Security costs	164,656	282,811
Other pension costs	<u>56,899</u>	<u>91,253</u>
	<u>1,793,690</u>	<u>2,571,710</u>

The average number of employees during the period including directors was 42 (2002 : 46)

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 Development Management Limited

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 30 JUNE 2003

#### 7. TAXATION

	Year Ended 30 June 2003	Period Ended 30 June 2002
	£	£

##### (a) Tax on profit on ordinary activities

The tax charge is made up as follows:

Current tax - UK Corporation tax	192,717	-
Total current tax	192,717	-

##### (b) Factors affecting current tax charge

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

	Year Ended 30 June 2003	Period Ended 30 June 2002
	£	£
Profit / (loss) on ordinary activities before taxation	644,711	(16,898)
Profit/(Loss) on ordinary activities at 30%	193,413	(5,069)
Losses carried forward	-	5,069
Accelerated capital allowances	(12,994)	-
Prior period adjustment	9,238	-
Disallowable amounts	3,060	-
Total current tax per profit and loss account	192,717	-

##### (c) Factors that may affect future tax charges

Future tax charges may be reduced by the recognition of a deferred tax asset of £38,891 (2002- £51,975) which has not been recognised in the accounts on the basis that the criteria for recognition are not met.

#### 8. INVESTMENT HELD AS FIXED ASSET

	Shares in Subsidiary Undertaking £
As at 1 July 2002 and 30 June 2003	1

The above investment is in Teesland Secretarial Services Limited, an unlisted company.

#### 9. DEBTORS

	30 June 2003	30 June 2002
	£	£
Trade debtors	1,740,601	176,363
Other debtors	35,428	2
Other taxes and social security	-	17,550
Amounts owed by group undertakings	33,307	411,217
Prepayments	-	7,306
	1,809,336	612,438

# Teesland Development Management Limited

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 30 JUNE 2003

#### 10. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 2003 £	30 June 2002 £
Bank overdraft (secured)	-	459,489
Trade creditors	6,181	47,190
Amounts due to group undertakings	800,963	1
Corporation taxation	175,982	58,718
Other taxes and social security	260,883	-
Accruals and deferred income	103,886	3,349
	<u>1,347,895</u>	<u>568,747</u>

#### 11. CALLED UP SHARE CAPITAL

	30 June 2003 £	30 June 2002 £
<u>Authorised</u>		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<u>Allotted, issued and fully paid:</u>		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

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

	Share Capital £	Profit & Loss Account £	Total £
At 30 June 2002	2	43,690	43,692
Profit for the year	-	451,994	451,994
At 30 June 2003	<u>2</u>	<u>495,684</u>	<u>495,686</u>

#### 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 ultimate parent of Teesland Development Management Limited, by virtue of joint control, by Kevin McCabe (Chairman of Teesland plc) and the Bank of Scotland (a significant shareholder of Teesland plc).

The company made sales of £2,377,673 to the above related parties (2002: £266,377). £1,643,035 was outstanding at the year end (2002: £135,469).

The company recharged overheads of £4,145 to the above related parties (2002: £1,148,671). No amounts were outstanding at the year end (2002: nil).

Purchases totalling £85,209 for the year ended 30 June 2003 (2002: £45,155) were made from companies related by virtue of joint directors. No amounts were outstanding at the year end (2002: nil).

#### 14. ULTIMATE & PARENT UNDERTAKING

The immediate parent undertaking is Teesland Holdings plc, and the ultimate parent undertaking is Teesland plc.