

Company No: 4240534

STERLING SCARBOROUGH (TEESDALE) LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 28 FEBRUARY 2005



Company No: 4240534

Company information

Directors

K C McCabe
M Croxen

Secretary

Teesland Secretarial Services Limited

Auditors

PricewaterhouseCoopers LLP
Benson House
33 Wellington Street
Leeds
LS1 4JP

Bankers

Bank of Scotland
P.O. Box 39900
Level 7, Bishopsgate Exchange
155 Bishopsgate
London
EC2M 3YB

Registered Office

Europa House
20 Esplanade
Scarborough
YO11 2AQ

Sterling Scarborough (Teesdale) Limited

Company No: 4240534

CONTENTS

PAGE NUMBER

Directors' Report	1-2
Independent Auditors' Report	3
Profit and Loss Account	4
Balance Sheet	5
Notes to the Financial Statements	6-9

Directors' Report

The Directors present their Report and the audited Financial Statements of the Company for the year ended 28 February 2005.

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the Company is the development and refurbishment of commercial and industrial property. Both the level of business for the year and financial position at the year end were as anticipated. Following the sale of the company's property the Directors expect that the Company will be less active during 2005/2006.

RESULTS AND DIVIDENDS

The results of the Company for the year ended 28 February 2005 are set out in the Profit and Loss Account on page 4. The Directors have paid an interim dividend of £800,000 (2004: £Nil) and do not recommend the payment of a final dividend (2004: £Nil).

DIRECTORS AND THEIR INTERESTS

The Directors who have held office for the whole of the year under review, unless otherwise stated, are as follows:-

M Croxen
K C McCabe

According to the register maintained as required under the Companies Act 1985, none of the Directors had any interest in the share capital of the Company.

There were no other interests notifiable under Section 324 of the Companies Act 1985.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company Law requires the Directors to prepare Financial Statements for each financial year which 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. The Directors are required to prepare the Financial Statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the Financial Statements for the year ended 28 February 2005, and that applicable accounting standards have been followed.

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 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.

Directors' Report (continued)

AUDITORS

A resolution to re-appoint PricewaterhouseCoopers LLP as the Company's auditors will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



For and on behalf of Teesland Secretarial Services Limited
Secretary 01556

14 June 2005

Independent Auditors' Report to the Members of Sterling Scarborough (Teesdale) Limited

We have audited the Financial Statements which comprise the Profit and Loss Account, Balance Sheet and the related notes.

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 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. This Report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose, or to any other person to whom this Report is shown, or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

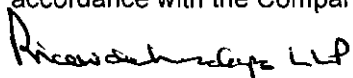
BASIS OF AUDIT OPINION

We conducted our audit in accordance with 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 judgements 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 the Company's affairs as at 28 February 2005, and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds

Dated: 20 June 2005

Profit and loss account

for the year ended 28 February 2005

	<i>Notes</i>	<i>Year Ended 28 February 2005 £</i>	<i>Year Ended 29 February 2004 £</i>
TURNOVER	1	-	10,500,000
Cost of Sales		-	(8,894,835)
GROSS PROFIT		-	1,605,165
Administrative expenses		(25,013)	(16,145)
OPERATING (LOSS)/PROFIT	2	(25,013)	1,589,020
Interest receivable and similar income	3	99,143	-
Interest payable and similar charges	4	(129,659)	(325,925)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(55,529)	1,263,095
Taxation	5	16,242	(366,241)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(39,287)	896,854
Dividends	6	(800,000)	-
(LOSS SUSTAINED)/RETAINED PROFIT FOR THE YEAR	10	(839,287)	896,854

Other than the (loss)/profit for the financial year, there have been no recognised gains or losses.

There is no difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the financial year stated above and their historical cost equivalents.

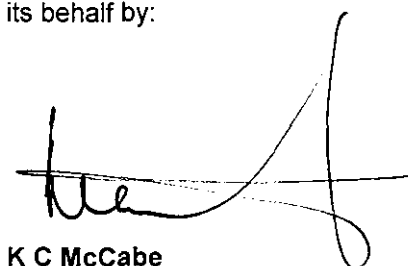
The above results derive from continuing operations throughout the year.

Balance sheet


as at 28 February 2005

	Notes	2005 £	2004 £
Current Assets			
Debtors	7	118,615	10,927,538
Cash at bank and in hand		183,789	-
		<u>302,404</u>	<u>10,927,538</u>
Creditors – Amounts falling due within one year	8	(286,128)	(10,071,975)
Net Current Assets		<u>16,276</u>	<u>855,563</u>
Net Assets		<u><u>16,276</u></u>	<u><u>855,563</u></u>
Capital and Reserves			
Called up share capital	9	1,000	1,000
Profit and Loss account	10	15,276	854,563
Equity Shareholders' Funds	10	<u><u>16,276</u></u>	<u><u>855,563</u></u>

The Financial Statements on pages 4 to 9 were approved by the Board on 14 June 2005 and signed on its behalf by:



K C McCabe
Director



M Croxen
Director

Notes to the Financial Statements

For the year ended 28 February 2005

1. ACCOUNTING POLICIES

(a) **Accounting convention.**

The Financial Statements are prepared on a going concern basis under the historical cost convention, the accounting policies below and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom.

(b) **Turnover**

Turnover, which arose wholly within the United Kingdom from the continuing principal activity, represents the amounts invoiced, excluding value added tax, in respect of amounts receivable from sales of developed land during the period. The sale of developed land is recognised on unconditional exchange.

(c) **Deferred taxation.**

Deferred taxation is provided if transactions have occurred at the Balance Sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in the future. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted by the balance sheet date.

(d) **Cash flow statement.**

The Company qualifies as a small Company under the terms of Section 247 of the Companies Act 1985. As a consequence, it is exempt from the requirements to publish a cash flow statement.

2. OPERATING (LOSS)/PROFIT

	<i>Year Ended</i> <i>28 February 2005</i> £	<i>Year Ended</i> <i>29 February 2004</i> £
This is stated after charging:-		
Auditors' remuneration – audit fees	5,250	2,500
Auditors' remuneration – non audit fees	875	2,500
	<u> </u>	<u> </u>

The company had no employees during the year (2004: None). None of the directors received any remuneration in the year (2004: Nil).

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	<i>Year Ended</i> <i>28 February 2005</i> £	<i>Year Ended</i> <i>29 February 2004</i> £
Interest receivable on cash at bank	99,143	-
	<u> </u>	<u> </u>
	99,143	-
	<u> </u>	<u> </u>

Notes to the Financial Statements (continued)

For the year ended 28 February 2005

4. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>Year Ended</i> 28 February 2005	<i>Year Ended</i> 29 February 2004
	£	£
Interest payable on bank overdraft	4,283	216,810
Interest payable on amounts owed to joint venture partners	125,376	138,352
Less: Amounts transferred to development work in progress	-	(29,237)
	<u>129,659</u>	<u>325,925</u>

5. Taxation

	<i>Year Ended</i> 28 February 2005	<i>Year Ended</i> 29 February 2004
	£	£
UK Corporation tax (credit)/charge on profits of the period	(16,658)	378,929
Utilisation of brought forward losses not previously recognised	-	(12,688)
Prior year adjustment	416	-
	<u>(16,242)</u>	<u>366,241</u>
Taxation (credit)/charge on profit on ordinary activities	<u>(16,242)</u>	<u>366,241</u>

The tax assessed for the year is higher (2004: lower) than the standard rate of corporation tax in the UK of 30% (2004: 30%).

(Loss)/Profit on ordinary activities before taxation	(55,528)	1,263,095
(Loss)/Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 30% (2004: 30%)	(16,658)	378,929
Actual current tax charge for the period	<u>(16,242)</u>	<u>366,241</u>
The difference is represented by:		
Prior year adjustment	416	-
Utilisation of brought forward losses not previously recognised	-	12,688
	<u>-</u>	<u>12,688</u>

6. DIVIDENDS

	2005	2004
	£	£
Interim dividend paid:		
£800 (2004:£Nil) per £1 ordinary share	<u>800,000</u>	<u>-</u>

Notes to the Financial Statements (continued)

For the year ended 28 February 2005

7. DEBTORS

	2005	2004
	£	£
Unpaid share capital	1,000	1,000
Other debtors	-	10,906,425
Corporation tax recoverable	117,615	-
Other taxation and social security	-	20,113
	<u>118,615</u>	<u>10,927,538</u>

8. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£	£
Bank overdrafts	-	4,740,196
Trade creditors	6,018	136,106
Amounts owed to joint venture partners (Note 12)	-	3,402,693
Corporation tax	-	366,241
Consortium relief payable	109,054	-
Other taxation and social security	144,307	-
Other creditors	18,649	1,286,729
Accruals and deferred income	8,100	140,010
	<u>286,128</u>	<u>10,071,975</u>

9. CALLED UP SHARE CAPITAL

	2005	2004
	£	£
Authorised:		
500 'A' Ordinary Shares	500	500
500 'B' Ordinary Shares	500	500
	<u>1,000</u>	<u>1,000</u>
Allotted, called up and unpaid		
500 'A' Ordinary Shares	500	500
500 'B' Ordinary Shares	500	500
	<u>1,000</u>	<u>1,000</u>

The 'A' and 'B' shares rank pari passu in all respects.

Notes to the Financial Statements (continued)

For the year ended 28 February 2005

10. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	<i>Share Capital £</i>	<i>Profit and Loss Account £</i>	<i>Total £</i>
At 1 March 2003	1,000	(42,291)	(41,291)
Profit for the year	-	896,854	896,854
At 29 February 2004	1,000	854,563	855,563
Loss for the year	-	(39,287)	(39,287)
Dividends	-	(800,000)	(800,000)
At 28 February 2005	1,000	15,276	16,276

11. RELATED AND CONTROLLING PARTIES

The Company is owned 50% by Sterling Capitol plc and 50% by Scarborough Development Group plc.

The amounts owed to joint venture parties consists of a loan of £Nil (2004: £1,175,000) from Sterling Capitol plc with accrued interest of £Nil (2004: £114,440) and a loan from Scarborough Development Group plc of £Nil (2004: £1,985,000) with accrued interest of £Nil (2004: £128,253).

During the year interest was charged on the loans provided of £47,215 (2004: £62,270) by Sterling Capitol plc and £78,161 (2004: £76,082) by Scarborough Development Group plc. All loan and interest amounts outstanding were repaid during the year.

SDG Management Limited, a subsidiary of Scarborough Development Group plc, invoiced the company £10,000 (2004: £10,000) in accounting fees. At 28 February 2005 £Nil (2004: £Nil) was outstanding.