

SDG PROPERTY HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 28 FEBRUARY 2006



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Directors & Advisors

Directors:	K C McCabe C M Di Ciacca D M Tandy S P McBride J L Burnley S R McCabe S C McCabe
Secretary:	Teesland Secretarial Services Limited
Auditors:	PricewaterhouseCoopers LLP Benson House 33 Wellington Street Leeds LS1 4JP
Bankers:	HBOS plc 2 nd Floor 21 23 Hill Street Mayfair London W1J 5JW
Registered Office:	93 George Street Edinburgh EH2 3ES
Registered Office:	SC222340

Chairman's Statement

SDG Property Holdings Ltd ("SDGPHL") has built on the success of the previous year, achieving record pre tax profits of £6.9 million in the financial period ended 28 February 2006 as against £1.7 million in 2005. This outstanding performance has enabled the full elimination of SDGPHL's opening deficit, creating shareholder wealth of some £2.3 million as at the year end

It should be remembered that SDGPHL inherited companies – previously under the ownership of others – where there was substantial financial deficits associated with properties located in Scotland. Thus within less than three years the Scarborough team have turned "red into black" and now have a group actively involved in a variety of interesting real estate ventures within Scotland, Northern Ireland and England.

We have been busy taking advantage of the buoyant investment climate in the United Kingdom thus selling certain of our property interests to investors willing to pay high prices and show to us good profits. Alongside disposals has been the astuteness of the Group to secure new opportunities – often in venture with members of the "bigger Scarborough Group" in order to ensure that our resources are well utilised, ready for future growth.

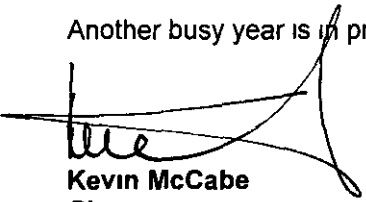
SDGPHL's strategy continues as we develop out existing projects principally in Scotland and Northern Ireland along with the acquisition and management of commercial assets spanning the whole of the country. The utilisation of astute asset management skills has certainly added to the value of much of our property stock. Undoubtedly the merits of being able to work with the enlarged Scarborough Group and sister companies via joint ventures remains a key factor in the coming years.

The Executive Review on pages 3 to 6 provides details of the transactions concluded or under way at the present time.

We are now in an ideal position to build and take advantage of the exciting opportunities that come our way. With the resources provided by our financiers, HBOS plc, long term facilities are in hand to be utilised with the aim of establishing substantial shareholder wealth in the years ahead.

It is always pleasing to thank colleagues – be it at Director level or around the various group offices – for their skills and expertise. We are a relatively small but dedicated team who work hard for success on a consistent basis. Our business relationship and indeed friendship with Executives of HBOS plc is to say the least unusual. I suppose one can say the support is both ways as we tackle transactions together always striving with the joint skills to get the correct bottom line result.

Another busy year is in progress!



Kevin McCabe
Chairman

3rd November 2006

Executive Review

SDG Property Holdings Limited ("SDGPHL"), and its subsidiaries and joint venture companies (together the "Group") has continued to excel in taking advantage of the continued buoyant state of the UK commercial property market, focusing on its core activities of property trading and development

The Group has generated a Profit Before Taxation of £6.9 million (2005: £1.7 million) for the year ended 28 February 2006, transforming the Group's opening Net Liabilities of £2.5 million into Net Assets of £2.3 million as at 28 February 2006 – an exceptional performance

PROPERTY TRADING

The year under review has been an extremely active, with the sale of a large number of high income producing, quality commercial UK properties. This has been achieved primarily in association with the SDGPHL's joint venture partners, enabling large mixed use portfolios to be traded

The Group has also faced the challenge of sourcing good quality replacement stock, at acceptable prices. Again this has primarily been achieved through joint venture arrangements where combined resources has enabled larger portfolios to be acquired which have offered greater value for money and an opportunity for value to be added in utilising the Group's property management expertise

The Group achieved good returns in trading a large number of significant properties during the period under review. Details of some of the most notable transactions are included below,

Columbus House, Newport

The property, leased to the Secretary of State for Transport comprises modern furnished offices totalling 24,000 sq ft with an adjoining 140 space car park. The Group took advantage of an offer to dispose of the property in July 2005

Atlas House, London

Partner SDG Property Holdings Ltd – 50%

Atlas House is a 44,000 sq ft listed office building, fully let to the Bank of Tokyo generating an annual income of £2.2 million, located in a prominent position within the City of London. During the year under review the joint venture disposed of its interest in the property realising a good return for its shareholders

Stoke Road, Guildford

Partner SPC Group Plc – 50%

An opportunity was taken in July 2005 to dispose of the Group's entire interest in this attractive 36,000 sq ft office accommodation, which was fully leased to Clyde & Co, realising an excellent return

College Green, Bristol

Partner Scarborough Property Investment Company Ltd – 50%

The property comprises 26,000 sq ft of multi let, high yielding retail & warehouse accommodation. Tenants include John Harvey & Sons Plc and Birmingham Midshires Building Society. The property was disposed of during the financial year

Executive Review (continued)

2 4 High Street, Chalfont St Peter & Prebendal Court, Aylesbury

Partner Scarborough Property Investment Company Ltd – 50%

Both of these properties were acquired as part of a £300 million portfolio acquired by various parties of the enlarged "Scarborough Group". An opportunity to dispose of both properties was accepted during the financial year realising a beneficial return for shareholders.

2-4 High Street, Chalfont St Peter comprised of 10,000 sq ft of office space with 46 allocated car parking spaces. Prebendal Court, Aylesbury comprised of 23,000 sq ft of multi let high yielding offices, let to Secretary of State of the Environment and MTP Plc, amongst others.

Booker Portfolio

Partners Ancient Mariner Properties Ltd – 50%
 SDG Caledonia Holdings Ltd – 25%

In March 2005 SDGPHL entered into a £145 million joint venture with two sister companies, Ancient Mariner Properties Ltd and SDG Caledonia Holdings Ltd, to acquire a portfolio of 52 freehold and leasehold properties let to Booker Cash & Carry Limited. The legal entities which acquired these properties were all sold during the financial year, realising a significant return for the joint venture partners.

Woodward Portfolio

Partner SPC Group Plc – 50%

In July 2005 SDGPHL and SPC Group plc acquired, (via SDG (Edinburgh) Limited – an existing joint venture arrangement) a portfolio comprising seven industrial units and one office property totalling 235,000 sq ft, for a combined price of £16.4 million. The properties, predominantly located in Scotland, are let to Woodward Food Services Limited and Deep Freeze Supplies Ltd on 25 year leases. An opportunity for the shareholders to dispose of these properties was taken just prior to financial year end.

At the year end the SDGPHL still directly held the following property interests,

Cardiff Gate Business Park, Cardiff

SDGPHL owns four units within the Business Park, totalling 33,000 sq ft of quality accommodation. The units are fully let to Royal College of Nursing amongst others. The combined units generate annual income of approximately £435,000. The legal entities holding these properties were sold subsequent to the financial year end, realising a good return.

Floral Buildings, Belfast

Floral Buildings is a prestigious office development located in the premier business district of Belfast. The building, which offers 36,000 sq ft of quality office accommodation is let to the Secretary of State for Northern Ireland and Forsyth Business Centres plc.

DEVELOPMENTS

SDGPHL has interests in a wide ranging portfolio of developments both directly and in association with its established partners via joint venture arrangements. During the financial year under review, the Group completed and disposed a couple of notable developments realising significant profits for the Group.

Executive Review (continued)

The Group's major developments are discussed in more detail below

Buchanan Gate, Stepps, Glasgow

Buchanan Gate Business Park offers high class office accommodation situated close to Glasgow on the M80 northern corridor. Following on from the success of earlier phases work commenced on phase three during the year, comprising three individual buildings of 20,000 sq ft each.

Since the year end terms have been agreed to sell two of these properties, with a number of enquiries having been received to lease the third.

Outline planning consent has been obtained for the remainder of the site, extending to 236,000 sq ft.

Union Street, Inverness

As previously reported, the substantial renovation of this property, comprising 28,000 sq ft was concluded in May 2005, with lettings being achieved to Slaters Menswear and Rogerson Shoes. Strong investor interest remains for the property, and SDGPHL may consider disposal in the coming year.

RQ33 Riverside Quarter, Wandsworth

Partner Scarborough Development Group Plc – 50%

The development which comprised 33,000 sq ft formed part of the Wandsworth Riverside Quarter Development, one of London's eminent mixed use schemes. The sale of the property was completed during the year achieving an acceptable return for the Group.

High Street, Kensington

Partners Close Brothers – 50%
 Shepherd Development Company Ltd – 25%
 Scarborough Development Group Plc – 12.5%

This is a high profile mix use development located on Kensington High Street, London, comprising 20,000 sq ft and 46,000 sq ft of prime retail and Grade A office space respectively. Practical completion of the development was achieved in April 2005 with the building being sold during the financial year to an international private investor, realising a substantial return.

Forsyth House, Belfast

Partner SDG Caledonia Holdings Ltd 50%

Forsyth House is a prestigious new office development which occupies a prominent corner site at the junction of East Bridge Street and Cromac Street in Laganside, the premier business district of Belfast.

The development comprising a total of 56,000 sq ft, primarily of high quality office accommodation with potential retail on the ground floor, achieved practical completion in May 2006. The property has generated considerable tenant interest with terms being issued to a number of potential occupiers.

Executive Review (continued)

Thorpe Park, Leeds

Partners GMI Developments Limited 40%
 SDG Caledonia Holdings Limited - 20%
 Citygate Court Properties Limited 19%

Thorpe Park is perhaps the leading, most prominent, and largest business park development in the North of England, strategically located adjacent to the M1 motorway on the outskirts of the city of Leeds and in close proximity to the A1(M) and M62 motorways

The development, which extends to 270 acres, has outline planning consent for 1.8 million sq ft of accommodation and also incorporates a 100 acre "Green Park". To date some 520,000 sq ft of superb office space has been completed, with tenants including the likes of IBM, WS Atkins, Time Retail, Leeds University, Northern Food plc, National Grid plc, Regus and Taylor Woodrow plc

The site also includes an award winning Four Star Hotel & Spa complex and has provision for further high class amenities. Approximately 75 acres of land still remain to be developed

110 St Vincent Street, Glasgow

Partners Various

110 St Vincent Street is a magnificent landmark building situated in the heart of Glasgow's central business district, currently being comprehensively redeveloped to create 94,000 sq ft of modern Grade A office accommodation

The building was the former Chief Office of the Bank of Scotland and has a Grade A listed façade and superb banking hall, both of which add to the iconic image of the completed development

Whilst practical completion of the development is not due until May 2007, considerable tenant interest has been generated with terms having been issued to Shepherd & Wedderburn, Marks and Clarks, BDO, Barclays and HBOS. It is therefore anticipated that a sizeable proportion of the accommodation will pre let before the redevelopment is completed

FUTURE PROSPECTS

The outstanding performance of SDGPHL over the last few years has culminated in the exceptional financial performance for the financial year under review. This would not be possible if it were not for the energy, drive and expertise of the board and management teams on behalf of SDGPHL. We are also very thankful for the continued support of our financiers HBOS, partners and the enlarged "Scarborough Group" which have helped SDGPHL achieve its current strong standing within the property industry

The Group is now in the ideal position to build on its successes and be optimistic about the future, with the aim of increasing shareholder returns and wealth. However the Group is keen not to be complacent, there are always challenges ahead, to be faced and overcome, where adapting to change is a key factor

Director's Report

The Directors present their Report and the audited Financial Statements of the Company and the Group for the year ended 28 February 2006

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Group's principal activity is property trading and development

The results and financial position of the Group are in line with expectations

RESULTS

The results of the Group for the year ended 28 February 2006 are set out in the Profit and Loss Account on page 11 There is no dividend for the year (2005 £nil)

DIRECTORS AND THEIR INTERESTS

The Directors who have held office throughout the year, are listed below

K C McCabe
C M Di Ciacca
D M Tandy
S P McBride
J L Burnley
S R McCabe
S 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

The Directors interests in the company's parent, SDG Scotia Limited, are disclosed in that company's accounts

CREDITOR PAYMENT POLICY

The Group companies' current policy concerning the payment of its trade creditors is

- a) for general administrative expenses, payment is made at the end of the month following receipt and agreement of invoice
- b) property transactions are paid in accordance with specific contractual obligations

Directors' Report (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the Directors to prepare the financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the Group, and of the profit or loss of the Group for that year. In preparing those financial statements, the Directors are required to select suitable accounting policies, and then apply them consistently, make judgements and estimates that are reasonable and prudent, apply applicable accounting standards, 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 the Company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors confirm that the accounts comply with the above requirements.

AUDITORS

A resolution to re appoint PricewaterhouseCoopers LLP as the Company's auditors and to allow the Directors to fix their remuneration will be proposed at the next Annual General Meeting.

BY ORDER OF THE BOARD



Authorised signatory for and on behalf of
TEESLAND SECRETARIAL SERVICES LIMITED
SECRETARY

3rd November 2006

Independent Auditors' Report to the Members of SDG Property Holdings Limited

We have audited the group and parent company financial statements (the "financial statements") of SDG Property Holdings Limited for the year ended 28 February 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet and Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 into 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement and the Executive Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 group's and company's circumstances, consistently applied and adequately disclosed.

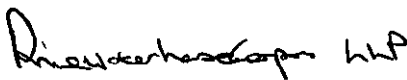
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 SDG Property Holdings Limited

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 28 February 2006 and of the group's profit and cash flows 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

3rd November 2006

Consolidated Profit and Loss Account

For the year ended 28 February 2006

	Notes	28 February 2006			28 February 2005		
		Group £'000	Joint Ventures £'000	Combined £'000	Group £'000	Joint Ventures £'000	Combined £'000
Turnover	1	3,864	49,066	52,930	26,891	12,992	39,883
Cost of sales		(4,063)	(44,142)	(48,205)	(25,860)	(12,027)	(37,887)
Gross (loss)/profit		(199)	4,924	4,725	1,031	965	1,996
Administrative expenses		(822)	(391)	(1,213)	(985)	(316)	(1,301)
Other operating income		1,135	6,336	7,471	2,386	1,809	4,195
Operating profit	3	114	10,869	10,983	2,432	2,458	4,890
Share of joint ventures' operating profit		10,869			2,458		
Total operating profit Group & share of joint ventures		10,983			4,890		
Income from fixed asset investments		101					
Profit on disposal of fixed asset investments		330			498		
Interest receivable and similar income	5	1,243			856		
Interest payable and similar charges	6	(5,712)			(4,501)		
Profit on ordinary activities before taxation		6,945			1,743		
Tax on profit on ordinary activities	7	(2,057)			(305)		
Profit on ordinary activities after taxation		4,888			1,438		
Minority interest		(23)					
Retained profit for the year	15	4,865			1,438		

All turnover and operating profits relate to continuing activities

The Group has no material recognised gains or losses other than profits for the year disclosed above

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

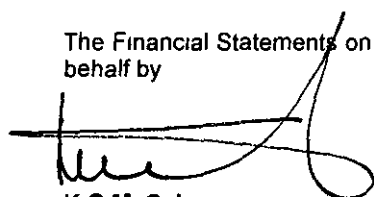
The minority interest arises from investments within joint ventures

Consolidated Balance Sheet

As at 28 February 2006

	Notes	28 February 2006			28 February 2005		
		Group £'000	Joint Ventures £'000	Combined £'000	Group £'000	Joint Ventures £'000	Combined £'000
Fixed assets							
Tangible assets	9	10	791	801		1,245	1,245
Investment in joint ventures							
share of net assets	10	10,954	(10,954)		112	(112)	
goodwill arising on acquisition	8	639		639			
Other Investments	10	1,082	10	1,092			
		12,685	(10,153)	2,532	112	1,133	1,245
Current assets							
Stock and work in progress	11	20,556	13,533	34,089	24,283	29,848	54,131
Debtors	12	7,970	13,425	21,395	13,813	6,074	19,887
Cash at bank and in hand		50	1,737	1,787	107	593	700
		28,576	28,695	57,271	38,203	36,515	74,718
Creditors amounts falling due within one year	13	(38,932)	(18,542)	(57,474)	(40,851)	(37,648)	(78,499)
Net current (liabilities)/assets		(10,356)	10,153	(203)	(2,648)	(1,133)	(3,781)
Total assets less current liabilities		2,329		2,329	(2,536)		(2,536)
Net assets/(liabilities)		2,329		2,329	(2,536)	-	(2,536)
Capital and reserves							
Called up share capital	14	11			11		
Share premium account	15	990			990		
Revaluation reserve	15				18		
Profit & loss account	15	1,328			(3,555)		
Total shareholders' funds/ (deficit)	15	2,329			(2,536)		
Analysis of shareholders' funds/(deficit)							
Equity		1,329			(3,536)		
Non equity share capital		10			10		
share premium		990			990		
Total shareholders' funds/ (deficit)		2,329			(2,536)		

The Financial Statements on pages 11 to 26 were approved by the Board on 3rd November 2006 and signed on its behalf by



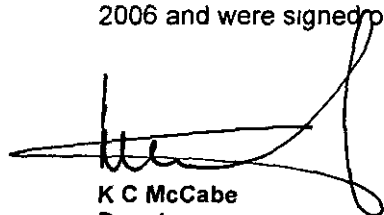
K C McCabe
Director

Company Balance Sheet

As at 28 February 2006

	Notes	28 February 2006 £'000	28 February 2005 £'000
Fixed assets			
Investments in joint ventures	10	7,631	
Investments in subsidiaries	10	4	3
Other Investments	10	1,082	
		<u>8,717</u>	<u>3</u>
Current assets			
Stock and work in progress	11	10,748	7,153
Debtors	12	19,321	25,920
		<u>30,069</u>	<u>33,073</u>
Creditors amounts falling due within one year	13	(36,103)	(33,659)
Net current liabilities		<u>(6,034)</u>	<u>(586)</u>
Total assets less current liabilities		<u>2,683</u>	<u>(583)</u>
Net assets/(liabilities)		<u>2,683</u>	<u>(583)</u>
Capital and reserves			
Called up share capital	14	11	11
Share premium account	15	990	990
Profit & loss account – deficit	15	1,682	(1,584)
Total shareholders' funds/(deficit)	15	<u>2,683</u>	<u>(583)</u>
Analysis of shareholders' funds/(deficit)			
Equity		1,683	(1,583)
Non equity share capital		10	10
share premium		990	990
Total shareholders' funds/(deficit)		<u>2,683</u>	<u>(583)</u>

The financial statements on pages 11 to 26 were approved by the Board of Directors on 3rd November 2006 and were signed on its behalf by



K C McCabe
Director

Consolidated Cash Flow Statement

for the year ended 28 February 2006

	Notes	28 February 2006		28 February 2005	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	16		3,589		21,369
Dividends from Joint Ventures and Associates	10		3,450		150
Returns on Investments and Servicing of Finance					
Interest paid		(2,886)		(2,653)	
Interest received		802		679	
Income from fixed asset investments		101			
Net cash outflow from returns on investments & servicing of finance			(1,983)		(1,974)
Taxation			39		104
Capital Expenditure and Financial Investment					
Payments to acquire tangible fixed assets	9	(12)			
Payments to acquire fixed asset investments	10	(3,834)			
Payments to acquire joint venture entities	10	(7,631)			
Receipts from disposal of joint venture entities				498	
Receipts from disposal of fixed asset investments		3,082			
Net cash (outflow)/inflow from Capital Expenditure and Financial Investment			(8,395)		498
Net cash (outflow)/inflow before financing			(3,300)		20,147
Financing					
Increase/(decrease) in joint venture loans		16,725		(9,157)	
Net cash inflow/(outflow) from financing			16,725		(9,157)
Increase in cash			13,425		10,990
Reconciliation of Net Cash Flow to Movement in Net Debt					
Increase in cash in the period			13,425		10,990
Movement in net debt in the period	18		13,425		10,990
Opening net debt	18		(39,532)		(50,522)
Closing Net Debt	18		(26,107)		(39,532)

Notes to the Financial Statements

For the year ended 28 February 2006

1. Accounting Policies

(a) **Accounting convention**

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

The Group has adopted FRS 21 "Events after the balance sheet date" and FRS 25 "Financial Statements Disclosure and presentation" in these Financial Statements. The adoption of these standards represents a change in accounting policy but resulted in no change to the current or prior year figures

(b) **Basis of Consolidation**

The Group accounts consolidate the accounts of the Company, its subsidiary undertakings and any quasi subsidiaries and entities which are controlled by the company. Control exists when the Company has the power directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All accounts are made up to 28 February or within 3 months of this date.

Subsidiaries held for immediate resale are not consolidated and treated as current asset investments.

The accounts include the Group's share of the results and net assets of joint venture undertakings, under the equity method of accounting. Dividends received from joint venture undertakings are accounted for when declared.

The sale of a subsidiary undertaking or quasi subsidiaries is included within the Group accounts as the sale of the underlying assets and liabilities (rather than investments) to reflect the underlying substance of the arrangements.

(c) **Turnover**

Turnover, which arose wholly within the United Kingdom from the continuing principal activity, represents the amounts invoiced, excluding valued added tax, in relation to the sale of developed land and properties during the year. Sales are recognised on unconditional exchange of contracts.

The value of properties sold via the sale of a subsidiary undertaking or quasi subsidiaries is included with turnover.

(d) **Rental Income**

Rental income, excluding valued added tax, from let properties which are held as stock is accrued on a daily basis and is included within other operating income.

(e) **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation and provision for any impairment. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings and equipment	20% reducing balance basis
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(f) **Goodwill and Acquisitions**

Goodwill (including negative goodwill) arising on the acquisition of subsidiaries and joint ventures is capitalised in the balance sheet and amortised over the Directors' estimate of the useful life, normally not exceeding ten years. Goodwill is reviewed on an annual basis for changes in the circumstances relating to the particular acquisition or underlying development.

Notes to the Financial Statements (continued)

For the year ended 28 February 2006

1. ACCOUNTING POLICIES (CONTINUED)

The results of companies and businesses acquired are dealt with in the consolidated accounts from the date on which control passes. Upon the acquisition of a business the fair values that reflect the condition at the date of acquisition are attributed to the identifiable assets and liabilities acquired. Adjustments are also made to bring the accounting policies of businesses acquired into alignment with those of the Group. Where the consideration paid for a business differs from the net assets acquired the difference is treated as goodwill.

(g) **Fixed Asset Investments**

Fixed asset investments are held at cost less provision for any impairment, or market value if lower than cost in the case of listed investments.

(h) **Stock and Work in Progress**

Properties held for resale development work in progress is stated at the lower of cost or net realisable value. Cost is based on the cost of the land and the costs incurred to date including any demolition costs and interest paid in respect of borrowings to finance the relevant development.

(i) **Current Asset Investments**

Current asset investments are held at the lower of cost and net realisable value.

(j) **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 and is not discounted.

2. PROFITS OF THE HOLDING COMPANY

SDG Property Holdings Limited has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The attributable profit for the year dealt with in the accounts of the Company is £3,266,000 (2005 £2,190,000).

3. OPERATING PROFIT

Turnover, operating profit and net assets (2005 net liabilities) are all derived from the principal activity and occur in the United Kingdom.

	Year ended 28 February 2006 £'000	Year ended 28 February 2005 £'000
Operating profit is stated after charging/(crediting):-		
Rental income group	(907)	(1,374)
joint ventures	(3,381)	(1,737)
Management fee income group	(47)	(550)
joint ventures		(71)
Depreciation	2	
Goodwill amortisation	71	
Auditors' remuneration audit fees	70	62
non audit fees	30	40
	<u> </u>	<u> </u>

Notes to the Financial Statements (continued)

For the year ended 28 February 2006

4. DIRECTORS' EMOLUMENTS AND EMPLOYEES

None of the directors received any remuneration during the year (2005 £nil) They are remunerated by other companies controlled by the same ultimate controlling party

Management fees of £22,000 (2005 £2,000) were incurred from Quoin Property Company Limited, of which S C McCabe is a director and shareholder

There were no employees in the year (2005 none)

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	<i>Year ended 28 February 2006 £'000</i>	<i>Year ended 28 February 2005 £'000</i>
On bank balances	2	4
On loans to joint ventures	721	498
On other loans	79	177
	<hr/>	<hr/>
	802	679
Share of joint ventures' interest receivable	441	177
	<hr/>	<hr/>
	1,243	856
	<hr/>	<hr/>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>Year ended 28 February 2006 £'000</i>	<i>Year ended 28 February 2005 £'000</i>
On bank overdrafts	2,663	2,646
On loans from joint ventures	250	
On other loans	6	170
	<hr/>	<hr/>
	2,919	2,816
Less interest included in stock and work in progress	(196)	(163)
	<hr/>	<hr/>
	2,723	2,653
Share of joint ventures' interest payable	2,989	1,848
	<hr/>	<hr/>
	5,712	4,501
	<hr/>	<hr/>

Notes to the Financial Statements (continued)

For the year ended 28 February 2006

7. TAXATION

	<i>Year ended</i> <i>28 February 2006</i> <i>£'000</i>	<i>Year ended</i> <i>28 February 2005</i> <i>£'000</i>
Current tax:		
UK Corporation tax charge at 30%	658	155
Adjustment in respect of prior years	67	(140)
Share of joint ventures taxation	1,352	304
Share of joint ventures prior year adjustment	20	(14)
Total current tax	<u>2,097</u>	<u>305</u>
Deferred tax.		
Share of joint ventures deferred tax credit	(40)	
Total deferred tax	<u>(40)</u>	
Total tax charge for year	<u><u>2,057</u></u>	<u><u>305</u></u>

The taxation charge for the year is higher (2005 lower) than the standard rate of corporation tax in the UK of 30% (2005 30%) The difference is explained as follows

	<i>Year ended</i> <i>28 February 2006</i> <i>£'000</i>	<i>Year ended</i> <i>28 February 2005</i> <i>£'000</i>
Profit on ordinary activities before taxation	6,945	1,743
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2005 30%)	<u>2,084</u>	<u>523</u>
The difference is represented by		
Accelerated capital allowances and other timing differences	(59)	
Deferred tax not recognised on brought forward losses utilised		(109)
Marginal relief	(15)	
Expenses not deductible for tax purposes		(78)
Chargeable gains on investment sales		123
Adjustment in respect of previous periods	87	(154)
	<u>2,097</u>	<u>305</u>

The Group has unrecognised deferred tax assets in respect of losses incurred of £1,160,000 (2005 £978,000) This asset has not been recognised as the directors consider it uncertain that it will be recovered in the foreseeable future

Notes to the Financial Statements (continued)

For the year ended 28 February 2006

8. INTANGIBLE FIXED ASSETS

<i>Goodwill</i>	<i>Group £'000</i>	<i>Joint Ventures £'000</i>	<i>Total £'000</i>
Cost			
At 1 March 2005	5,208		5,208
Additions		710	710
At 28 February 2006	5,208	710	5,918
Amortisation			
At 1 March 2005	5,208		5,208
Charge for the year		71	71
At 28 February 2006	5,208	71	5,279
Net book amount at 28 February 2006		639	639
Net book amount at 28 February 2005			

Goodwill is amortised over 10 years

9. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Fixtures & Fittings £'000</i>
Cost	
At 1 March 2005	
Additions in the period	12
At 28 February 2006	12
Depreciation	
At 1 March 2005	
Depreciation charge	2
At 28 February 2006	2
Net book value at 28 February 2006	10
Net book value at 28 February 2005	

Notes to the Financial Statements (continued)

For the year ended 28 February 2006

10. FIXED ASSET INVESTMENTS

a) Investment in Joint Ventures

	<i>Group £'000</i>	<i>Company £'000</i>
At 1 March 2005	112	
Additions – net assets / cost	6,921	7,631
Share of profits after taxation	6,994	
Share of dividends and profit distributions	(3,045)	
Minority interest	(28)	
Share of net assets / cost at 28 February 2006	<u>10,954</u>	<u>7,631</u>

The group's total cost of joint venture acquisitions was £7,631,000, comprising underlying net assets of £6,921,000 and goodwill of £710,000. No fair value adjustment was required.

During the year the group's principal acquisitions comprise a 25% interest in Scarborough Capital Partners LP for £7,375,000, a 20.8% interest in Thorpe Park Developments Limited for £255,000 and a 10% interest in Scarborough Resources LP at a net cost of £1,000.

The Group's principal joint venture entities at the year end are as follows:

	% Ownership of ordinary shares	Registered	Principal Activity
Remote Properties 1250 Limited#	50	England	Property Trading
Remote Properties 1175 Limited#	50	England	Property Trading
SDG (Edinburgh) Limited	50	England	Holding Company
SDG (Wandsworth) Limited	50	England	Property Development
SPC Developments Limited	50	England	Property Development
Shepborough Kensington Limited#	25	England	Property Development
The Third Special Opportunities Land Fund LP#	12.5	England	Property Trading
SDG Bouquet Limited	50	England	Property Trading
Scarborough Resources LP (formerly The Euston Estate LP)	10	England	Property Investment
Haymarket House (Belfast) Limited	50	England	Property Development
Thorpe Park Developments Limited	20.8	England	Property Development
Scarborough Capital Partners LP	25	England	Property Investment

indicates holding is indirect

There are no special rights or constraints attached to the shares held

Notes to the Financial Statements (continued)

For the year ended 28 February 2006

10. FIXED ASSET INVESTMENT (CONTINUED)

a) Investment in Joint Ventures

The Group's share of the results of its main joint ventures are as follows

	Scarborough Capital Partners LP £'000	SDG (Edinburgh) Limited £'000	Remote Properties 1250 Limited £'000	SDG Bouquet Limited £'000
Turnover	1,274	17,544	6,360	13,373
Profit before taxation	3,331	895	663	2,015
Taxation		(251)	(175)	(595)
Profit after taxation	3,331	644	488	1,420
Fixed assets			791	
Current assets	10,775	2,330	1,975	1,050
Current liabilities	(75)	(2,169)	(2,565)	(795)
Cost of investment	10,700	161	201	255

No taxation appears in Scarborough Capital Partners LP as this is borne directly by its investors

b) Investments in Subsidiaries

	Company £'000
Cost	
At 1 March 2005	3
Additions in the year	1
At 28 February 2006	4

The following are all principal subsidiaries of SDG Property Holdings Limited, all of which are held directly

	% Ownership of ordinary shares	Registered	Principal Activity
Bishopscross Investments Limited	100	Scotland	Property Development
Scarloch (Dundee) Limited	100	Scotland	Property Development
SDG (Properties) Limited	100	England	Holding Company
SDG Ireland Limited	100	England	Property Trading
SDG (Cardiff F+G 2) Limited	100	England	Property Trading
SDG (Cardiff H+J 2) Limited	100	England	Property Trading

c) Other Investments

	Group & Company £'000
At 1 March 2005	
Additions	3,834
Disposals	(2,752)
At 28 February 2006	1,082

Other investments comprise various minority investments in non listed entities

Notes to the Financial Statements (continued)

For the year ended 28 February 2006

11. STOCK AND WORK IN PROGRESS

	28 February 2006 £'000	28 February 2005 £'000
Group		
Development work in progress	5,612	5,501
Properties held for sale	14,944	18,782
	<u>20,556</u>	<u>24,283</u>

Development work in progress includes interest of £565,000 (2005 £809,000)

	28 February 2006 £'000	28 February 2005 £'000
Company		
Development work in progress	10,748	7,153
	<u>10,748</u>	<u>7,153</u>

Development work in progress includes interest of £275,000 (2005 £79,000)

12. DEBTORS

	28 February 2006 £'000	28 February 2005 £'000
Group		
Trade debtors	155	81
Amounts owed by joint ventures – loans	6,590	12,718
Amounts owed by related parties (note 20)	336	323
Other debtors	53	177
Other tax and social security	204	95
Prepayments and accrued income	632	14
Dividends receivable		405
	<u>7,970</u>	<u>13,813</u>

	28 February 2006 £'000	28 February 2005 £'000
Company		
Trade debtors	39	74
Amounts owed by group companies	10,402	13,192
Amounts owed by joint ventures – loans	4,262	11,353
Amounts owed by related parties (note 20)	336	322
Other debtors	575	
Other tax and social security	228	
Corporation tax		130
Prepayments and accrued income	3,479	46
Dividends receivable		803
	<u>19,321</u>	<u>25,920</u>

Notes to the Financial Statements (continued)

For the year ended 28 February 2006

13. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	28 February 2006 £'000	28 February 2005 £'000
Group		
Bank overdraft (secured)	26,157	39,639
Trade creditors	52	134
Amounts owed to parent company	69	70
Amounts owed to joint ventures loans	10,597	
Corporation tax	839	97
Other creditors	309	474
Accruals and deferred income	909	437
	<u>38,932</u>	<u>40,851</u>
	28 February 2006 £'000	28 February 2005 £'000
Company		
Bank overdraft (secured)	23,118	13,150
Trade creditors	40	111
Amounts owed to parent company	69	70
Amounts owed to group companies	262	19,842
Amounts owed to joint ventures loans	10,335	
Corporation tax	796	
Group and consortium relief	522	
Other creditors	144	297
Accruals and deferred income	817	189
	<u>36,103</u>	<u>33,659</u>

The bank overdraft is secured by way of specific charges and cross guarantees across all subsidiaries. See note 21 for further details.

Loans with joint ventures bear interest at 2% above Bank of England base rate, are unsecured and have no fixed repayment terms.

Amounts owed to group undertakings bear interest at 1.5% over Bank of England base rate, are unsecured and have no fixed terms for repayment.

14. CALLED UP SHARE CAPITAL

	28 February 2006 £	28 February 2005 £
Authorised, allotted, called up and fully paid.		
500 'A' Ordinary Shares of £1 each	500	500
500 'B' Ordinary Shares of £1 each	500	500
1,000,000 'C' Ordinary Shares of 1p each	10,000	10,000
	<u>11,000</u>	<u>11,000</u>

Notes to the Financial Statements (continued)

For the year ended 28 February 2006

The 'A' Ordinary and 'B' Ordinary Shares rank pari passu in all respects and have full voting rights and entitlement to dividends

The 'C' Ordinary Shares carry no voting rights, have no representation on the Board and have no entitlement to any distributions. These are classified as non equity in the balance sheet

15. RECONCILIATION OF EQUITY SHAREHOLDERS' FUNDS

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Revaluation reserve £'000	Total £'000
Group					
Balance at 1 March 2004	11	990	(4,993)		(3,992)
Revaluation in year				18	18
Profit for the year			1,438		1,438
Balance at 1 March 2005	11	990	(3,555)	18	(2,536)
Realisation of revaluation reserve			18	(18)	
Profit for the year			4,865		4,865
Balance at 28 February 2006	11	990	1,328		2,329

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
Company				
Balance at 1 March 2004	11	990	(3,774)	(2,773)
Profit for the year			2,190	2,190
Balance at 1 March 2005	11	990	(1,584)	(583)
Profit for the year			3,266	3,266
Balance at 28 February 2006	11	990	1,682	2,683

16. CASH FLOW FROM OPERATING ACTIVITIES

	28 February 2006 Group £'000	28 February 2005 Group £'000
Reconciliation of operating profit to net cash flow from operating activities.		
Group operating profit excluding Joint Ventures	114	2,432
Depreciation of tangible fixed assets	2	
Goodwill amortisation	71	
Decrease in stocks	580	20,628
(Increase)/decrease in debtors	(690)	1,390
Increase/(decrease) in creditors	3,512	(3,081)
Net cash inflow from operating activities	3,589	21,369

Notes to the Financial Statements (continued)

For the year ended 28 February 2006

17. DISPOSALS

On 4 July 2005 the group disposed of its 100% interest in SDG (Newport 2) Limited. The following profit arose on this disposal:

	<i>Total £'000</i>
Stock	3,344
Creditors	(3,344)
Net assets disposed	<u> </u>
Consideration cash	<u> </u>
Profit on disposal	<u><u> </u></u>

In accordance with the group's accounting policies, this has been accounted for within turnover and cost of sales.

18. RECONCILIATION OF MOVEMENT IN NET DEBT

	<i>1 March 2004 £'000</i>	<i>Cash Flow £'000</i>	<i>1 March 2005 £'000</i>	<i>Cash Flow £'000</i>	<i>28 February 2006 £'000</i>
Cash in hand and at bank		107	107	(57)	50
Overdrafts	(50,522)	10,883	(39,639)	13,482	(26,157)
	<u>(50,522)</u>	<u>10,990</u>	<u>(39,532)</u>	<u>13,425</u>	<u>(26,107)</u>

19. CONTROLLING PARTIES

The immediate parent undertaking is SDG Scotia Limited. The ultimate controlling party is considered to be K C McCabe.

SDG Scotia Limited is the parent undertaking of the smallest and largest group to consolidate these financial statements for the year ended 28 February 2006. Copies of the consolidated accounts for SDG Scotia Limited can be obtained from 93 George Street, Edinburgh, EH2 3ES.

Notes to the Financial Statements (continued)

For the year ended 28 February 2006

20. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption permitted by FRS 8 not to disclose details of transactions with other Group undertakings

Joint Venture Undertakings

The group provides and receives loans to and from its joint ventures on which interest accrues at 2% above the Bank of England base rate with no fixed terms for repayment

During the year the Group entered into a joint venture, Scarborough Capital Partners LP, with Ancient Mariner Properties Limited and SDG Property Holdings Limited, entities ultimately controlled by K C McCabe, of which K C McCabe, C M Di Ciacca, S P McBride and D M Tandy are all directors

At the year end the Group had loans due from its joint ventures of SDG (Edinburgh) Limited £1,738,000 (2005 £2,921,000), SDG (Wandsworth) Limited £nil (2005 £1,488,000), SDG Bouquet Limited £nil (2005 £2,584,000), Remote Properties 1250 Limited £2,067,000 (2005 £nil) and Haymarket House (Belfast) Limited £2,785,000 (2005 £nil)

The Group had loans due to its joint ventures at the year end of SPC Developments Limited £263,000 (2005 loan due from the Group of £4,355,000), Scarborough Capital Partners LP £10,279,000 (2005 £nil), and Scarborough Resources LP £55,000 (2005 £nil)

Interest receivable for the year from joint ventures amounted to, SDG (Edinburgh) Limited £214,000 (2005 £172,000), SDG Wandsworth Limited £94,000 (2005 £48,000), SPC Developments Limited £102,000 (2005 £207,000), SDG Bouquet Limited £170,000 (2005 £59,000), Remote Properties 1250 Limited £105,000 (2005 £nil) and Haymarket House (Belfast) Limited £36,000 (2005 £nil)

Interest payable for the year to joint ventures amounted to, Scarborough Capital Partners LP £138,000 (2005 £nil) and Scarborough Resources LP £112,000 (2005 £nil)

Related Parties

At 28 February 2006 the Group was owed £323,000 (2005 £323,000) by Inverness Caledonian Thistle Properties Limited, a company in which SDG Property Holdings Limited owns 10% of the issued share capital, and which C M Di Ciacca is a director

At the year end the Group is owed £13,000 from SDG Caledonia Holdings Limited a company ultimately controlled by K C McCabe of which K C McCabe, C M Di Ciacca, S P McBride and D M Tandy are all directors

During the year management fees were received of £47,000 (2005 £18,000) from Forsyth Business Centres Plc, a company controlled by K C McCabe. No amounts were outstanding at the end of the year (2005 nil)

Management charges were incurred in the year of £155,000 and £411,000 from SPC Group Plc and SDG Management Limited respectively, companies controlled by K C McCabe. Both amounts were outstanding at the end of the year and included within accruals

21. CONTINGENT LIABILITIES

The Company has guaranteed the bank overdraft and bank loans of its Group undertakings, which at 28 February 2006 stood at £nil (2005 £21,256,000), excluding amounts already recognised by the company. The liability was secured by a fixed charge over all properties of the Group and a floating charge/debenture over all other assets in the Group