

COMPANY NUMBER SC222340

SDG PROPERTY HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 28 FEBRUARY 2007

MONDAY



A850EVRB

A26

24/12/2007

240

COMPANIES HOUSE

Contents	Page
Directors and Advisors	2
Chairman's Statement	3
Executive Review	4 7
Directors' Report	8 9
Independent Auditors' Report	10
Consolidated Profit and Loss Account	11
Consolidated Balance Sheet	12
Company Balance Sheet	13
Consolidated Cash Flow Statement	14
Notes to the Financial Statements	15 22

SDG PROPERTY HOLDINGS LIMITED

Directors and Advisors

Directors	K C McCabe (Chairman) C M Di Ciacca D M Tandy J L Burnley S P McBride S R McCabe S C McCabe
Secretary	Esplanade Secretarial Services Limited
Registered Office	93 George Street Edinburgh EH2 3ES
Registered Number	SC222340
Bankers	Bank of Scotland 2nd Floor 21 23 Hill Street Mayfair London W1J 5JW
Auditors	PricewaterhouseCoopers LLP Benson House 33 Wellington Street Leeds LS1 4JP
Solicitors	Shepherd & Wedderburn LLP Condor House 10 St Paul's Churchyard London EC4M 8AL

Chairman's Statement

SDG Property Holdings Ltd ("SDGPHL") achieved pre-tax profits of £1.8 million during the financial year ending 28th February 2007 and with it further increased its balance sheet wealth to £3.9 million. Perhaps for the last time we remind ourselves that the company was initially formed to address substantial deficits associated with properties situated in Scotland previously developed and owned by others. The turnaround that has occurred within the space of less than four years demonstrates a "red to black" of around £15 million. It is testimony to the skills and efforts of the combined SDGPHL team that such success has been achieved thus far.

We now have the exciting opportunity to build on these foundations creating and managing new business initiatives principally in real estate both in the United Kingdom and internationally.

During the early part of the year under review, the investment climate for well leased commercial property remained buoyant, but since mid 2007 the signs indicate decreasing capital values of UK commercial real estate thus alerting us all to the need to be cautious and reappraise prospective acquisitions.

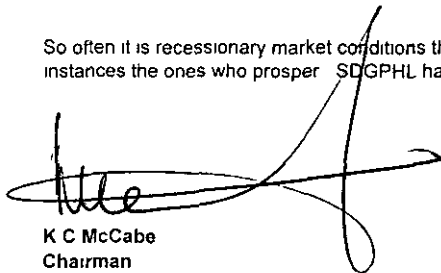
Our accompanying Executive Review gives commentary on the transactions SDGPHL has completed or which are under way many of which are carried out in tandem with Scarborough connected corporates. The creativity of our financier – HBOS plc – remains of paramount importance as in so many ways they are always a "second partner" working with the team to sensibly structure the projects we take on board.

In July of this year SDGPHL entered into a Relationship Agreement with Valad Property Group of Australia (a company with whom I am associated, following the purchase by Valad of a substantial former Scarborough Group subsidiary in July this year) whereby the duties of development, asset and property management are seconded to our colleagues from "down under" on an incentivised fee basis. Valad are one of Australia's top 100 quoted corporations operating globally in fund and asset management plus commercial development. They now have offices throughout the UK and many regions of Europe as well as Australia, New Zealand and Japan.

With the downturn of real estate values coupled to problems in the financial sector we believe many of our competitors will fail to adapt to these changing circumstances. SDGPHL is led by experienced Directors ready with resource available to take advantage of this new business climate. Additionally, through our new relationship with Valad, the property skills available at regional offices in England, Scotland, Wales and throughout Europe are available to assist SDGPHL. This should prove to be of much benefit to both companies for many years.

It goes without saying that sincere thanks are passed on to all my fellow directors and colleagues for the efforts applied.

So often it is recessionary market conditions that sort the "wheat from the chaff" and thus those who quickly adapt are in many instances the ones who prosper. SDGPHL has the experience and knowledge to take advantage.



K C McCabe
Chairman

22 November 2007

Executive Review

SDG Property Holdings Limited ("SDGPHL") was formed in 2003 to reorganise, manage and resolve the negative balance sheets of a series of companies previously owned by others and with properties located in Scotland

During this short period of time all financial deficits have been remedied and indeed the company now has balance sheet wealth it intends to exploit alongside utilising the substantial resources available via HBOS plc and working with management team members in Valad Property Group

Property Trading

There was much activity during the year under review, with SDGPHL selling a good number of properties located throughout the UK from as far north as Aviemore in the Highlands of Scotland to as far south as Cardiff Gate Business Park, Cardiff. Our trading has involved both directly owned assets and also properties held jointly with others

The challenge now is to seek and exploit opportunities arising at a time when UK commercial real estate is decreasing in value and thus one suspects inexperienced corporations or financiers may well wish to sell at what could prove to be attractive prices

Our joint cooperation with other members of the "bigger Scarborough Group" will continue as this always adds fire power to the type of transactions to be embarked upon

Some of the activities carried out during the year and beyond are summarised from North to South as follows

Inveralmond Industrial Estate, Perth

This small 10,000 sq ft industrial property let to Perth & Kinross Council and BSS Group Plc was sold in July 2006 in conjunction with another property owned by an associated company, realising a good profit

The Anchor, Granton Marina, Edinburgh

Partner SPC Group Limited 50%

The Group acquired 30 residential apartments at The Anchor as part of its recent strategy to increase exposure in the residential sector

Granton Marina lies on the Southern Shore of Leith some 3 miles from Edinburgh City Centre and less than 2 miles to the east of the thriving Shore area of Leith the capital's rejuvenated port. The Anchor is part of a comprehensive master plan to create a marina orientated urban village. With planning for 3,000 apartments and more than 250,000 sq ft of commercial and office space, the area is destined to become a vibrant community with a mix of dwellings, shops, cafes, bistros and small businesses in the years ahead. The apartments are approaching full occupancy and the company has already seen useful capital value growth

Platinum Point, Western Harbour, Edinburgh

Partner SPC Group Limited 50%

As part of the package involving The Anchor at Granton Marina, SDGPHL also purchased 34 residential apartments at nearby Platinum Point

Platinum Point is an exclusive development of contemporary apartments, duplexes and penthouse suites some 10 minutes drive from Central Edinburgh. The apartments offer exceptional and exciting water front living which is new to the Edinburgh market

Located on the Forth with spectacular views of the Fife Coast and the Forth Road and Rail bridges gives this development a unique feel

The Group has seen lettings achieve around 100% occupancy and with it improved capital values

Executive Review (continued)

High Street, Dumfries

Partner SPC Group Limited 50%

This property, originally developed by the "bigger Scarborough Group" some years ago, is centrally situated on the High Street and is leased to the Bank of Scotland. During the year under review the property was sold and healthy returns were made for the company.

Cardiff Gate Business Park, Cardiff

In July 2006 SDGPHL disposed of its interests in the Business Park which totalled 33,000 sq ft of quality office accommodation. The units were leased in part to The Royal College of Nursing and were sold as part of a portfolio of properties, which involved some of our associated companies realising overall profits in excess of £1 million.

Developments

SDGPHL has interests in a portfolio of developments being carried out either directly or in association with partners. Good progress has been made on all projects which will bode well for future years profits.

The company's principal developments, from North to South, are

Union Street, Inverness

As previously reported, the redevelopment of the former House of Fraser store totalling 28,000 sq ft was concluded in May 2005, with lettings being achieved to Slaters Menswear and Rogerson Shoes. Tenant interest remains for the vacant accommodation albeit the retail sector is presently experiencing weak trading conditions.

Buchanan Gate, Stepps, Glasgow

The Business Park offers high class office accommodation and is situated close to Glasgow on the M80 northern corridor motorway. The Park has proved to be very popular to occupiers and having secured planning consent 18 months ago for 236,000 sq ft of office accommodation we have built the third phase of three buildings totalling 52,000 sq ft and achieved considerable letting success.

The first of these buildings was let to HGB Ltd at practical completion with the property being sold to Royal Liver post year end realising an excellent return.

The second of the buildings constructed consists of 12,000 sq ft and is leased to a charitable organisation, The Richmond Fellowship. This property was sold during the period under review making a useful contribution to annual profits.

The final building constructed as part of Phase 3 of the Business Park's development was a 20,000 sq ft office building of which two floors (approximately 13,500 sq ft) has been let to the Barratts Group, and negotiations to let the remaining ground floor suite of 6,500 sq ft are progressing.

Recently the master plan has been revised to make improvements to the architectural solutions and we will be submitting a detailed planning application for 2 buildings of 30,000 sq ft and 20,000 sq ft along with an ancillary Nursery unit. It is envisaged that more construction activity will be seen on the Park in the months ahead.

Executive Review (continued)

110 St Vincent Street, Glasgow

Partners Various members of the "bigger Scarborough Group"

110 St Vincent Street is a magnificent landmark building situated in the heart of Glasgow's central business district. The comprehensive redevelopment of this property to create 94,000 sq ft of Grade A office accommodation was undertaken in Joint Venture with various members of the "bigger Scarborough Group" and Quoin Property Company Limited. The development achieved practical completion in mid 2007 and is fully leased and occupied by the Bank of Scotland.

We are currently in dialogue with partners as to whether to sell or retain the investment.

Forsyth House, Belfast

Partner SDG Caledonia Holdings Limited – 50%

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

The property comprises 50,000 sq ft of high quality office accommodation and retail space on the ground floor. Lettings have been achieved over the upper floor space to Bowlands IT and our sister company Forsyth Business Centres. The company has also secured tenants to certain of the ground floor shop units.

Floral Buildings, Belfast

Floral Buildings, an office development completed some years ago, is situated close to Forsyth House and offers over 35,000 sq ft of quality office accommodation in part leased to the Secretary of State of Northern Ireland.

Recently we completed an upgrading of the ground floor and other vacant parts and are seeking tenants accordingly.

Thorpe Park, Leeds

Partner Scarborough Group Limited – 33%
SDG Caledonia Holdings Limited – 33%

In December 2006 SDGPHL increased its investment in Thorpe Park to 34% from the previous 21%.

Thorpe Park is one of the leading and most prominent Business Parks in the North of England, strategically located fronting the M1 motorway on the outskirts of the city of Leeds and in close proximity to the A1 (M) and M62 motorways.

The development, extending to 270 acres, has planning consent for almost 2 million sq ft of office accommodation along with a 100 acre "Green Park". To date in excess of 600,000 sq ft of office space has been created with tenants including IBM, WS Atkins, Time Retail, Leeds University, Northern Food plc, National Grid plc, Regus and Taylor Woodrow plc.

Thorpe Park also includes an award winning Four Star Hotel & Spa complex and has provision to expand its high class "on site" amenities.

Further building activity is expected during 2007.

Executive Review (continued)

Investment Division

During the final quarter of 2006 the group acquired £3.3 million worth of Convertible Loan Stock in **Sheffield United plc**. Since the year end the Loan Stock has been converted into Ordinary shares at a conversion price of 15p per unit. SDGPHL now has an 8% interest in this unique property, leisure and services group with football at its hub.

Prospects

As referred earlier, there has been a distinct change in the UK real estate market since mid 2007 seeing a downturn in capital values of property and also difficulties in the financial sector. These factors should prove beneficial to experienced operators in the world of real estate and therefore SDGPHL is well placed to take advantage of others' failings.

Directors' Report

The Directors have pleasure in presenting their Report and audited financial statements of the Company and the Group for the year ended 28 February 2007

PRINCIPAL ACTIVITY

The principal activity of the Company and Group is property development and trading

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The results and financial position of the Company and Group are in line with expectations. The Directors anticipate another profitable year ahead. A detailed analysis of the Group's performance and prospects is set out in the Executive Review on pages 4 to 7

PRINCIPAL RISKS AND UNCERTAINTIES

One of the key risks which affects the Group's performance is rises in UK interest rates resulting in an increase to the Group's cost of borrowing. This risk is actively managed by the use of interest rate swaps where considered necessary. Interest rate swaps have the effect of fixing the interest rate payable on amounts borrowed.

Another key risk is the state of the UK property market as the Group profits are sensitive to the changes in market values and rental yields. This risk is managed through the constant monitoring of UK property values and rental yields in comparison to the Group's current portfolio of properties and external benchmarks.

KEY PERFORMANCE INDICATORS ("KPIs")

The Directors monitor the performance of the Group by reference to the following KPIs

Rental yields: rental income expressed as a percentage of a property's book cost. This value is compared to the average cost of borrowing and current market rates.

Rents per square foot: rental income divided by the total square footage of a property. This value is used to assess a property's income against current market rates / trends.

Development yield: Ratio of estimated development profit over the development cost. This is used to assess the viability and return of a development.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 28 February 2007 are set out in the profit and loss account on page 11. The Directors do not recommend the payment of a dividend (2006: £nil).

POST BALANCE SHEET EVENTS

On 19 April 2007 the Group's investment of £3,333,333 in convertible loan stock in Sheffield United Plc was converted into ordinary 10p shares at a conversion price of 15p.

DIRECTORS

The Directors who held office throughout the year, except where noted, are listed below

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

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 Company and the Group 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 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.

STATEMENT OF DISCLOSURE TO AUDITORS

Each of the persons who is a Director at the date of approval of this report confirms that

so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and the Director has taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

BY ORDER OF THE BOARD



Authorised signatory for and on behalf of
Esplanade Secretarial Services Limited
Secretary
22 November 2007

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 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the 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 whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Executive Review that is cross referred from the Review of Business and Future Developments section of the Directors' Report.

In addition we report to you if, in our opinion, 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 judgements 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.

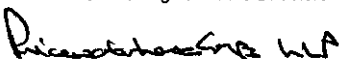
Opinion

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 2007 and of the Group's profit and cash flows for the year then ended, and

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.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Benson House
33 Wellington Street
Leeds
LS1 4JP
28 November 2007

Consolidated Profit & Loss Account

For the year ended 28 February 2007

	Notes	Year ended 28 February 2007			Year ended 28 February 2006		
		Audited Group £'000	Unaudited proforma Interest in Joint Ventures £'000	Combined £'000	Audited Group £'000	Unaudited proforma Interest in Joint Ventures £'000	Combined £'000
Turnover	1	9,990	1,830	11,820	3,864	49,066	52,930
Cost of sales		(8,038)	(1,183)	(9,221)	(4,063)	(44,142)	(48,205)
Gross profit/(loss)		1,952	647	2,599	(199)	4,924	4,725
Administrative expenses		(563)	(242)	(805)	(822)	(391)	(1,213)
Other operating income		625	347	972	1,135	6,336	7,471
Group operating profit	3	2,014	752	2,766	114	10,869	10,983
Share of joint ventures' operating profit		752			10,869		
Total operating profit Group & share of joint ventures		2,766			10,983		
Income from fixed asset investments		125			101		
Profit on disposal of fixed asset investments	5	447			330		
Profit before interest and taxation		3,338			11,414		
Interest receivable and similar income	6	885			1,243		
Interest payable and similar charges	7	(2,410)			(5,712)		
Profit on ordinary activities before taxation		1,813			6,945		
Tax on profit on ordinary activities	8	(255)			(2,057)		
Profit on ordinary activities after taxation		1,558			4,888		
Minority Interest		95			(23)		
Retained profit for the year	16	1,653			4,865		

The boxed information above is unaudited proforma financial information which is presented to illustrate the significance of joint venture interests to the Group. The Interest in Joint Ventures column reflects the Group's proportion of the results of these entities.

All turnover and operating profit relate to continuing activities.

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

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

Consolidated Balance Sheet
As at 28 February 2007

		28 February 2007			28 February 2006		
	Notes	Audited Group £'000	Unaudited proforma Interest in Joint Ventures £ 000	Combined £'000	Audited Group £'000	Unaudited proforma Interest in Joint Ventures £'000	Combined £ 000
Fixed assets							
Tangible fixed assets	10		791	791	10	791	801
Investments	11	8 612	13	8 625	1 082	10	1 092
Interests in joint ventures							
share of net assets	11	1 289	(1 289)		10 954	(10,954)	
goodwill arising on acquisition	9	1 741		1 741	639		639
		11 642	(485)	11 157	12 685	(10 153)	2 532
Current assets							
Stock and work in progress	12	24 019	29 098	53 117	20 556	13 533	34 089
Debtors	13	13 062	1 038	14 100	7,970	13 425	21 395
Cash at bank and in hand			370	370	50	1 737	1 787
		37 081	30 506	67 587	28 576	28 695	57 271
Creditors amounts falling due within one year	14	(44 846)	(29 060)	(73 906)	(38 932)	(18 542)	(57 474)
Net current (liabilities)/assets		(7 765)	1 446	(6 319)	(10 356)	10 153	(203)
Total assets less current liabilities		3 877	961	4 838	2 329		2 329
Provision for liabilities and charges			(961)	(961)			
Net Assets		<u>3,877</u>		<u>3,877</u>	<u>2,329</u>		<u>2,329</u>
Capital and Reserves							
Called up share capital	15	11			11		
Share premium account	16	990			990		
Profit & loss account	16	2 981			1 328		
Total Shareholders' funds	17	3 982			2 329		
Minority Interest		(105)					
Capital Employed		<u>3,877</u>			<u>2,329</u>		
Analysis of Shareholders' funds							
Equity		2 982			1 329		
Non-equity							
share capital		10			10		
share premium		990			990		
		<u>3,982</u>			<u>2,329</u>		

The boxed information above is unaudited proforma financial information which is presented to illustrate the significance of joint venture interests to the Group. The interest in Joint Ventures column reflects the Group's proportion of the net assets of these entities.

The Financial Statements on pages 11 to 22 were approved by the Board on 22 November 2007 and signed on its behalf by


K C McCabe
Director

SDG PROPERTY HOLDINGS LIMITED

Company Balance Sheet
As at 28 February 2007

	Notes	28 February 2007 £'000	28 February 2006 £ 000
Fixed assets			
Investments	11	<u>3,836</u>	<u>8,717</u>
Current assets			
Stock and work in progress	12	15,145	10,748
Debtors	13	<u>29,855</u>	<u>19,321</u>
		45,000	30,069
Creditors – amounts falling due within one year	14	(45,018)	(36,103)
Net current liabilities		<u>(18)</u>	<u>(6,034)</u>
Total assets less current liabilities		<u>3,818</u>	<u>2,683</u>
Net Assets		<u><u>3,818</u></u>	<u><u>2,683</u></u>
Capital and Reserves			
Called up share capital	15	11	11
Share premium account	16	990	990
Profit & loss account	16	2,817	1,682
Total Shareholders' funds		<u><u>3,818</u></u>	<u><u>2,683</u></u>
Analysis of Shareholders' funds			
Equity		2,818	1,683
Non equity			
share capital		10	10
share premium		990	990
		<u><u>3,818</u></u>	<u><u>2,683</u></u>

The Financial Statements on pages 11 to 22 were approved by the Board on 22 November 2007 and signed on its behalf by


K C McCabe
Director

Consolidated Cash Flow Statement
For the year ended 28 February 2007

	Notes	28 February 2007 £'000	28 February 2006 £'000
Net cash (outflow)/inflow from Operating Activities	3b	(6,119)	3 589
Dividends from Joint Ventures and Associates		4,449	3,450
Returns on Investments and Servicing of Finance			
Interest paid		(2 145)	(2,886)
Interest received		412	802
Dividends paid to minority interests		(10)	
Income from fixed asset investments		125	101
Net cash outflow from Returns on Investments and Servicing of Finance		(1,618)	(1 983)
Taxation		(1,346)	39
Capital Expenditure and Financial Investment			
Payments to acquire tangible fixed assets			(12)
Payments to acquire fixed asset investments	11	(8,285)	(3,834)
Payments to acquire joint venture entities	11	(2,950)	(7,631)
Receipts from capital reduction in joint ventures	11	7,374	
Receipts from disposal of fixed asset investments		1,172	3,082
Net cash outflow from Capital Expenditure and Financial Investment		(2,689)	(8,395)
Net cash outflow before Financing		(7,323)	(3,300)
Financing			
(Decrease)/increase in joint venture loans		(9,488)	16,725
Net cash (outflow)/inflow from financing		(9,488)	16 725
(Decrease)/increase in cash	18	<u>(16,811)</u>	<u>13,425</u>
Reconciliation of Net Cash Flow to movement in Net Debt			
(Decrease)/increase in cash		(16,811)	13,425
Movement in net debt in the period		<u>(16,811)</u>	<u>13,425</u>
Opening net debt		(26,107)	(39,532)
Closing Net Debt	18	<u>(42,918)</u>	<u>(26,107)</u>

Notes to the Financial Statements For the year ended 28 February 2007

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 below, in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom

(b) Basis of Consolidation

The Group accounts consolidate the accounts of the Company and its subsidiary undertakings and any quasi subsidiaries and entities 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 the benefits from its activities. All accounts are made up to 28 February or within 3 months of this date.

The accounts include the Group's share of the results where newly acquired from date of acquisition, and net assets of joint venture and associated undertakings, under the equity method of accounting. A joint venture undertaking exists where the Group exercises joint control over the financial and operating policies of another undertaking. Undertakings other than subsidiary and joint venture undertakings in which the Group has an investment not less than 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings. Dividends received from joint venture and associated undertakings are accounted for when received. Sales and profits arising from transactions with joint venture undertakings are eliminated in proportion to the Group's interest in the shares of that undertaking.

The sale of a subsidiary undertaking or quasi subsidiary is included within the Group accounts as the sale of the underlying assets and liabilities rather than the investment where this reflects the underlying substance of the arrangement.

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

(c) Turnover

Turnover, which arose wholly within the United Kingdom from the continuing principal activity, represents the amounts invoiced, excluding value 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 subsidiary undertakings or quasi subsidiaries are included within turnover where this reflects the underlying substance of the transaction.

(d) Rental Income

Rental income, excluding value added tax, from let properties held within Stock and Work in Progress is accrued on a daily basis and is included within other operating income.

(e) Interest Costs

Interest which can be fairly attributed to properties held for, or in the course of, development is considered to be part of the cost. Interest is calculated by reference to specific borrowings where relevant and otherwise by reference to the average rate paid on funding the assets employed by the Group. Interest is attributed to the development for the period until substantially all activities necessary to bring the development into use have been completed.

(f) 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 & equipment	20% reducing balance basis
--------------------------------	----------------------------

(g) 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 assets.

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 company or 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 the companies or businesses acquired into alignment with those of the Group. Where the consideration paid differs from the fair value of its net assets acquired the difference is treated as goodwill.

(h) Fixed Asset Investments

Fixed asset investments are held at the lower of cost less any provision for impairment or net realisable value.

(i) Stock and Work in Progress

Properties held for resale and development work in progress are 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.

(j) Current asset investments

Current asset investments are held at the lower of cost less any provision for impairment or net realisable value.

(k) 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.

Notes to the Financial Statements

For the year ended 28 February 2007

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 £1,135,000 (2006: £3,266,000).

3 Operating Profit

Turnover, operating profit, profit before tax and net assets are all derived from the Group's principal activity and occur in the United Kingdom.

	Year ended 28 February 2007 £'000	Year ended 28 February 2006 £'000
a) Operating profit is stated after charging / (crediting)		
Rental income	(533)	(907)
Management fee income	(47)	(47)
Depreciation of tangible fixed assets	2	2
Auditors' remuneration: audit services	44	70
taxation services	23	30
Goodwill amortisation	96	71

Auditors' remuneration for the Company was £32,000 (2006: £57,000) for audit services and £7,000 (2006: £20,000) for non-audit services.

	Year ended 28 February 2007 £'000	Year ended 28 February 2006 £'000
b) Reconciliation of operating profit to net cash flow from operating activities		
Group operating profit before joint ventures	2,014	114
Depreciation of tangible fixed assets	2	2
Loss on disposal of tangible fixed assets	8	
Goodwill amortisation	96	71
(Increase) / decrease in stocks and work in progress	(2,943)	580
Increase in debtors	(5,570)	(690)
Increase in creditors	274	3,512
Net cash flow from operating activities	(6,119)	3,589

4 Employees and Directors

None of the Directors received any remuneration during the year (2006: £nil). They are remunerated by other companies controlled by the same ultimate controlling party.

Management fees of £nil (2006: £22,000) were charged by Quoin Property Company Limited, of which S.C. McCabe is a director and shareholder.

The Group and Company had no employees during the year (2006: none).

	Year ended 28 February 2007 £'000	Year ended 28 February 2006 £'000
5 Profit on Disposal of Fixed Asset Investments		
Profit on disposal of fixed asset investments	417	330
Share of joint ventures' profit on disposal of fixed asset investments	30	
	447	330

	Year ended 28 February 2007 £'000	Year ended 28 February 2006 £'000
6 Interest Receivable and Similar Income		
On bank balances	1	2
On loans to joint ventures	350	721
On other loans	61	79
	412	802
Share of joint ventures' interest receivable	473	441
	885	1,243

Notes to the Financial Statements

For the year ended 28 February 2007

7 Interest Payable and Similar Charges	Year ended 28 February 2007 £'000	Year ended 28 February 2006 £'000
On bank overdrafts	1,755	2,663
On loans with joint ventures	402	250
On other loans	8	6
	<u>2 165</u>	<u>2,919</u>
Less interest included in stock and work in progress	(520)	(196)
	<u>1,645</u>	<u>2,723</u>
Share of joint ventures' interest payable	765	2 989
	<u>2,410</u>	<u>5,712</u>

8 Taxation	Year ended 28 February 2007 £'000	Year ended 28 February 2006 £'000
Current tax		
UK Corporation tax charge for the year	433	658
Adjustment in respect of prior years	(263)	67
Share of joint ventures' taxation	94	1,352
Share of joint ventures' adjustment in respect of prior years	(49)	20
	<u>215</u>	<u>2 097</u>
Deferred tax		
Share of joint ventures' deferred tax charge/(credit)	40	(40)
	<u>40</u>	<u>(40)</u>
Total tax charge for the year	<u>255</u>	<u>2,057</u>

The current taxation charge for the year is lower (2006 higher) than the standard rate of corporation tax in the UK of 30% (2006 30%). The difference is as follows

	Year ended 28 February 2007 £'000	Year ended 28 February 2006 £'000
Profit on ordinary activities before taxation	<u>1 813</u>	<u>6 945</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2006 30%)	544	2,084
The difference is represented by		
Deferred tax not recognised on brought forward losses utilised	50	
Accelerated capital allowances and other timing differences	57	(59)
Marginal relief		(15)
Expenditure not deductible for tax purposes	(124)	
Adjustment in respect of prior periods	(312)	87
	<u>215</u>	<u>2 097</u>

The Group has unrecognised deferred tax assets in respect of losses incurred of £1,809,000 (2006 £1 976 000). This asset has not been recognised as it is uncertain whether it will be recovered in the foreseeable future.

9 Intangible Fixed Assets

	Group £'000	Joint Ventures £'000	Total £'000
Goodwill			
Cost			
At 1 March 2006	5,208	710	5,918
Additions (Note 11)		1,198	1,198
At 28 February 2007	<u>5,208</u>	<u>1,908</u>	<u>7 116</u>
Amortisation			
At 1 March 2006	5,208	71	5 279
Charge in the year		96	96
At 28 February 2007	<u>5 208</u>	<u>167</u>	<u>5 375</u>
Net book value at 28 February 2007		<u>1 741</u>	<u>1 741</u>
Net book value at 28 February 2006		<u>639</u>	<u>639</u>

Notes to the Financial Statements

For the year ended 28 February 2007

10 Tangible Fixed Assets

	Fixtures & Fittings £'000
Group	
Cost	
At 1 March 2006	12
Disposals	(12)
At 28 February 2007	<u> </u>
Depreciation	
At 1 March 2006	2
Charge in the year	2
Disposals	(4)
At 28 February 2007	<u> </u>
Net book value at 28 February 2007	<u> </u>
Net book value at 28 February 2006	<u> </u> <u>10</u>

11 Investments

Group	Joint Ventures £'000	Quoted Investments £'000	Unquoted Investments £'000	Total £'000
At 1 March 2006	10 954		1,082	12 036
Additions	1,752	3 333	4 952	10,037
Disposals			(755)	(755)
Capital reduction	(7 374)			(7,374)
Share of profit after taxation	406			406
Share of dividends	(4,449)			(4 449)
At 28 February 2007	<u>1,289</u>	<u>3 333</u>	<u>5 279</u>	<u>9,901</u>

On 14 December 2006 the Group acquired a further 13% interest in Thorpe Park Developments Limited at a cost of £2,950,000, bringing the Group's total interest to 34%. The Group's share of net assets acquired was £1 752 000, creating goodwill on acquisition of £1 198,000 which is being amortised over a period of 10 years

On 29 December 2007 the Group was issued Convertible Loan Stock in Sheffield United Plc, a company listed on the Alternative Investment Market (AIM) in London at a cost of £3 333 333

During the year the Group acquired and disposed of various interests in Jersey Property Units Trusts. The cost of additions and proceeds on disposal were £4,952,000 and £1,172,000 respectively

Company	Subsidiary Undertakings £'000	Joint Ventures £'000	Unquoted Investments £'000	Total £'000
At 1 March 2006	4	7,631	1 082	8,717
Additions		2,950	46	2,996
Disposals	(3)		(500)	(503)
Capital reduction		(7,374)		(7 374)
At 28 February 2007	<u>1</u>	<u>3 207</u>	<u>628</u>	<u>3,836</u>

Unquoted investments for the Group and Company comprise various units held in Jersey Property Unit Trusts

On 20 September 2006, Scarborough Capital Partners Limited Partnership reduced its capital resulting in the return of investment to the Group and Company of £7 374 000

Notes to the Financial Statements

For the year ended 28 February 2007

11 Investments (continued)

As at 28 February 2007 the following were the principal subsidiaries or joint venture undertakings of the Company and were held directly by the Company unless indicated by * and are registered in England and Wales unless indicated by + which are registered in Scotland

Principal Subsidiaries	Proportion of Ordinary Share Capital held	Accounting Reference Date	Principal Activity
Bishopscross Investments Limited +	100%	28 February	Property Trading
Scarloch (Dundee) Limited +	100%	28 February	Property Development & Trading
SDG (Cardiff F&G 2) Limited	100%	28 February	Property Trading
SDG (Cardiff H&J 2) Limited	100%	28 February	Property Trading
SDG Ireland Limited	100%	28 February	Property Trading
SDG (Properties) Limited	100%	28 February	Property Trading

Principal Joint Ventures	Proportion of Ordinary Share Capital held	Accounting Reference Date	Principal Activity
Haymarket House (Belfast) Limited	50%	28 February	Property Development
Scarborough Resources LP (formerly The Euston Estate LP)	10%	28 February	Property Investment
Scarborough Capital Partners LP	25%	28 February	Property Trading & Investment
Thorpe Park Developments Limited	34%	28 February	Property Development
SDG (Edinburgh) Limited	50%	28 February	Property Development
Europa Apartments Limited *	33%	28 February	Property Trading
Remote Properties 1250 Limited *	50%	28 February	Property Trading & Investment
Remote Properties 1175 Limited *	50%	28 February	Property Investment
SDG (Wandsworth) Limited	50%	28 February	Property Development
SPC Developments Limited	50%	28 February	Property Development
Shepborough Kensington Limited *	25%	28 February	Property Development

The Group's share of the results of these entities in the consolidated accounts is based on the statutory accounts, or management accounts where appropriate, of each entity with an accounting reference date of 28 February 2007

The Group's share of results and net assets of significant joint venture undertakings are as follows

Thorpe Park Developments Limited £'000

Turnover	
Loss before taxation	(239)
Taxation	98
Loss after taxation	(141)
Current assets	16,283
Liabilities due within one year	(14,440)
Net assets	1,843

12 Stocks and Work In Progress

Group	28 February 2007 £'000	28 February 2006 £'000
Development work in progress	10,370	5,612
Properties held for resale	13,649	14,944
	<u>24,019</u>	<u>20,556</u>
Stock and work in progress includes interest of £1,046,000 (2006 £635,000)		
Company	28 February 2007 £'000	28 February 2006 £'000
Development work in progress	10,370	10,748
Properties held for resale	4,775	
	<u>15,145</u>	<u>10,748</u>
Stock and work in progress includes interest of £686,000 (2006 £275,000)		

Notes to the Financial Statements

For the year ended 28 February 2007

13 Debtors

	28 February 2007 £'000	28 February 2006 £'000
Group		
Trade debtors	52	155
Amounts owed by joint ventures	5,775	6,590
Amounts owed by related parties	323	336
Corporation tax	337	
Other tax and social security		204
Other debtors	6,474	53
Prepayments & accrued income	101	632
	<u>13,062</u>	<u>7,970</u>

	28 February 2007 £'000	28 February 2006 £'000
Company		
Trade debtors	37	39
Amounts owed by group undertakings	23,479	10,402
Amounts owed by joint ventures	5,113	4,262
Amounts owed by related parties	323	336
Corporation tax	653	
Other tax and social security		228
Other debtors	117	575
Prepayments & accrued income	133	3,479
	<u>29,855</u>	<u>19,321</u>

14 Creditors Amounts falling due within one year

	28 February 2007 £'000	28 February 2006 £'000
Group		
Bank overdraft (secured)	42,918	28,157
Trade creditors	317	52
Amounts owed to parent undertaking	69	69
Amounts owed to joint ventures	294	10,597
Corporation tax		839
Other tax and social security	281	
Other creditors	568	309
Accruals and deferred income	399	909
	<u>44,846</u>	<u>38,932</u>

	28 February 2007 £'000	28 February 2006 £'000
Company		
Bank overdraft (secured)	42,918	23,118
Trade creditors	289	40
Amounts owed to parent undertakings	69	69
Amounts owed to group undertakings	441	262
Amounts owed to joint ventures	294	10,335
Corporation tax		796
Other tax and social security	288	
Other creditors	380	666
Accruals and deferred income	339	817
	<u>45,018</u>	<u>36,103</u>

The bank overdraft is secured by way of specific charges over certain of the Group's assets and cross guarantees between certain subsidiaries

Amounts owed to joint ventures represent loans and are unsecured, have no fixed terms for repayment and typically bear interest at 2% above the Bank of Scotland base rate

Amounts owed to Group undertakings represent loans and are unsecured have no fixed terms for repayment and typically bear interest at 1.5% above the Bank of Scotland base rate

Notes to the Financial Statements

For the year ended 28 February 2007

15 Called up Share Capital

	28 February 2007 £	28 February 2006 £
Authorised, allotted, called up and fully paid		
500 (2006 500) 'A' Ordinary Shares of £1 each	500	500
500 (2006 500) 'B' Ordinary Shares of £1 each	500	500
1,000,000 (2006 1,000,000) 'C' Ordinary Shares of 1p each	10,000	10,000
	<u>11,000</u>	<u>11,000</u>

The 'A' Ordinary and 'B' Ordinary Shares rank par 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. The shares are classified as non-equity in the balance sheet

16 Reserves

Group	Share Premium account £'000	Profit and loss account £'000	Total £'000
At 1 March 2006	990	1,328	2,318
Profit for the year		1,653	1,653
At 28 February 2007	<u>990</u>	<u>2,981</u>	<u>3,971</u>

Company	Share Premium account £'000	Profit and loss account £'000	Total £'000
At 1 March 2006	990	1,682	2,672
Profit for the year		1,135	1,135
At 28 February 2007	<u>990</u>	<u>2,817</u>	<u>3,807</u>

17 Reconciliation of Movements in Shareholders' Funds / (Deficit)

Group	28 February 2007 £'000	28 February 2006 £'000
Profit attributable to equity shareholders	1,653	4,865
Net increase to shareholders' funds	<u>1,653</u>	<u>4,865</u>
Opening shareholders' funds/(deficit)	2,329	(2,536)
Closing shareholders' funds/(deficit)	<u>3,982</u>	<u>2,329</u>

Notes to the Financial Statements For the year ended 28 February 2007

18 Reconciliation of Movement in Net Debt

	1 March 2005 £'000	Cash flow £'000	28 February 2006 £'000	Cash flow £'000	28 February 2007 £'000
Cash at bank and in hand	107	(57)	50	(50)	
Overdrafts	(39,639)	13,482	(26,157)	(16,761)	(42,918)
	<u>(39,532)</u>	<u>13,425</u>	<u>(26,107)</u>	<u>(16,811)</u>	<u>(42,918)</u>

There have been no major non-cash transactions in the year

19 Controlling Parties

The Company's 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 2007. Copies of the consolidated accounts for SDG Scotia Limited can be obtained from 93 George Street, Edinburgh, EH2 3ES.

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 typically accrues at a rate of 2% above the Bank of Scotland base rate with no fixed terms for repayment.

At the year end the Group had loans owed from / (to) its joint venture undertakings and received / (paid) interest on the loans as set out below,

	28 February 2007		28 February 2006	
	Loan £'000	Interest £'000	Loan £'000	Interest £'000
Haymarket House (Belfast) Limited	1,828	122	2,785	36
SDG (Edinburgh) Limited	3,256	163	1,738	214
SDG (Bouquet) Limited	29	(12)		170
Scarborough Resources Limited Partnership	(24)	(6)	(55)	(112)
Scarborough Capital Partners Limited Partnership	(30)	(357)	(10,279)	(138)
SDG (Wandsworth) Limited	(182)	(13)		94
SPC Developments Limited	(58)	(14)	(263)	102
Remote Properties 1250 Limited	662	65	2,067	105
	<u>5,481</u>	<u>(52)</u>	<u>(4,007)</u>	<u>471</u>

Other transactions with related parties

At 28 February 2007 the Group was owed £323,000 (2006: £323,000) by Inverness Caledonian Thistle Properties Limited, a company in which SDG Property Holdings Limited owns 8.3% of the issued share capital, and of which C M Di Ciacca is a Director.

On 29 December 2006 the Group was issued with 3,333,333 £1 units of convertible loan stock in Sheffield United Plc for £3,333,333 (see note 21).

Management charges were incurred in the year of £59,000 (2006: £75,000) and £33,000 (2006: £411,000) from SPC Group Limited and SDG Management Limited respectively, companies controlled by K C McCabe. At the year end £42,000 within accruals and £222,000 within trade creditors remains payable to SPC Group Limited and SDG Management Limited respectively (2006: £75,000 and £411,000 was included within accruals payable to SPC Group Ltd and SDG Management Limited respectively).

During the year management fees were received of £47,000 (2006: £47,000) from Forsyth Business Centres Plc, a company controlled by K C McCabe. No amounts were outstanding at the end of the year (2006: £nil).

21 Post Balance Sheet Events

On 19 April 2007 the Group's investment of £3,333,333 in convertible loan stock in Sheffield United Plc was converted into ordinary 10p shares at a conversion price of 15p.