

Registration number: SC222340

SDG Property Holdings Limited

Directors' Report and Financial Statements
for the Year Ended 29 February 2008

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SDG Property Holdings Limited

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SDG Property Holdings Limited
Officers and Advisers

Directors	Esplanade Director Limited S R McCabe S C McCabe
Secretary	Esplanade Secretarial Services Limited
Registered office	4A Meville Street Edinburgh EH3 7NS
Solicitors	Shepherd & Wedderburn LLP Condor House 10 St Paul's Churchyard London EC4M 8AL
Bankers	Bank of Scotland 2nd Floor 21-23 Hill Street Mayfair London W1J 5JW
Auditors	Mazars LLP 90 St Vincent Street Glasgow G2 5UB

SDG Property Holdings Limited

Directors' Report for the Year Ended 29 February 2008

The directors present their report and the audited financial statements for the year ended 29 February 2008.

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the period ending on that date. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Statement of disclosure to auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant audit information that they know of and which they know the auditors are unaware of.

Principal activity and business review

The principal activity of the company is property development, trading and investment.

Both the level of activity for the year and the financial position at the end of the year were satisfactory and the directors expect that the current financial position will be sustained for the foreseeable future.

Results and dividends

The results for the company are set out in the financial statements.

The directors do not recommend the payment of a dividend (2007: £nil).

Principal risks and uncertainties

The principal risks and uncertainties mainly relate to volatility of interest rates and the state of the UK property market. These risks and uncertainties are managed on a group basis and are discussed in more detail in the annual report of the company's ultimate parent company, Scarborough Group International Limited.

SDG Property Holdings Limited

Directors' Report for the Year Ended 29 February 2008

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Directors

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

- S R McCabe
- S C McCabe
- K C McCabe (resigned 30 September 2008)
- D M Tandy (resigned 30 September 2008)
- C Di Ciacca (resigned 30 September 2008)
- S P McBride (resigned 30 September 2008)
- J L Burnley (resigned 30 September 2008)

Esplanade Director Limited was appointed a director of the company on 30 September 2008.

Auditors

During the year Mazars LLP were appointed as auditors to the company. Mazars LLP continue in office in accordance with section 487(2) Companies Act 2006.

Approved by the Board and signed on its behalf by:


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Esplanade Secretarial Services Limited
Company Secretary

18 December 2008

Independent Auditors' Report to the Members of

SDG Property Holdings Limited

We have audited the financial statements of SDG Property Holdings Limited for the year ended 29 February 2008 which comprise the Profit and Loss Account, the Balance Sheet and related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of Directors' responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also 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 transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

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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 company's affairs as at 29 February 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Lucas LLP

Mazars LLP

Chartered Accountants and Registered Auditors

90 St Vincent Street

Glasgow

G2 5UB

Date: *19/12/08*

SDG Property Holdings Limited

Profit and Loss Account for the Year Ended 29 February 2008

	Note	2008 £	2007 £
Turnover	2	5,463,361	3,255,599
Cost of sales		(4,980,515)	(2,132,337)
Gross profit		<u>482,846</u>	<u>1,123,262</u>
Administrative expenses		(3,009,712)	(987,994)
Other operating income		2,147	-
Operating (loss)/profit	3	<u>(2,524,719)</u>	<u>135,268</u>
Exceptional profit on sale of fixed assets		196,828	249,784
Income from shares in group undertakings		110,688	800,000
Income from participating interests		15,000	230,000
Income from other fixed asset investments		21,857	485,797
Other interest receivable and similar income		1,060,065	766,006
Interest payable and similar charges	5	(1,907,849)	(1,610,812)
(Loss)/profit on ordinary activities before taxation		<u>(3,028,130)</u>	<u>1,056,043</u>
Tax on (loss)/profit on ordinary activities	6	85,132	80,128
(Loss)/profit for the financial year		<u>(2,942,998)</u>	<u>1,136,171</u>
Retained (loss)/profit for the financial year		<u><u>(2,942,998)</u></u>	<u><u>1,136,171</u></u>

Turnover and operating (loss)/profit derive wholly from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

There is no material difference between the result reported above and the result on an unmodified historical cost basis.

The notes on pages 8 to 14 form an integral part of these financial statements.

SDG Property Holdings Limited
Balance Sheet as at 29 February 2008

		2008	2007
	Note	£	£
Fixed assets			
Investments	7	3,458,964	3,835,835
Current assets			
Stocks	8	10,862,150	15,145,738
Debtors	9	12,195,012	29,119,464
		<u>23,057,162</u>	<u>44,265,202</u>
Creditors: Amounts falling due within one year	10	<u>(25,640,106)</u>	<u>(44,282,019)</u>
Net current liabilities		<u>(2,582,944)</u>	<u>(16,817)</u>
Net assets		<u>876,020</u>	<u>3,819,018</u>
Capital and reserves			
Called up share capital	11	11,000	11,000
Share premium reserve	12	990,000	990,000
Profit and loss reserve	12	<u>(124,980)</u>	<u>2,818,018</u>
Equity shareholders' funds	13	<u>876,020</u>	<u>3,819,018</u>

The Financial Statements were approved by the Board on 18 December 2008 and signed on its behalf by:

P. Kalar

Esplanade Director Limited
Director

The notes on pages 8 to 14 form an integral part of these financial statements.

SDG Property Holdings Limited

Notes to the Financial Statements for the Year Ended 29 February 2008

1 Accounting policies

Basis of preparation

The financial statements have been prepared 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.

Going concern

The financial statements have been prepared on a going concern basis as the company's parent undertaking, Scarborough (UK) Ltd, has provided confirmation that it will provide financial support to the company should the company require such support.

Group Accounts

The company has taken advantage of the exemption within Section 228 of the Companies Act 1985 not to prepare group accounts. Accordingly, these accounts present information about the company as an individual undertaking and not about its group.

Cash flow Statement

In accordance with Financial Reporting Standard No.1 (revised) the company is exempt from the requirement to produce a cash flow statement on the basis that a consolidated cash flow statement is prepared by Scarborough Group International Limited, the parent undertaking of the smallest group for which group accounts are drawn up and of which the company is a member.

Turnover

Turnover represents amounts invoiced, net of value added tax, in respect of rental income from let properties, management fees and proceeds from sale of properties.

Revenue recognition

Proceeds received on the sale of properties are recognised on unconditional exchange of contract. Rental income accrues on a daily basis.

Fixed asset investments

Fixed asset investments are stated at historical cost less provision for any diminution in value.

Stock

Stock is stated at the lower of cost and net realisable value. Cost is based on the cost of the land and the cost incurred to date including any demolition costs and interest paid in respect of borrowings to finance the relevant development. Net realisable value is based on estimated selling price after taking into account all further costs expected to be incurred on disposal.

Deferred taxation

Deferred tax is provided in full on timing differences which represent a liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income or expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted.

SDG Property Holdings Limited

Notes to the Financial Statements for the Year Ended 29 February 2008

..... continued

2 Turnover

Turnover and profit before taxation, which arises wholly within the UK, is attributable to the company's continued principal activity.

An analysis of turnover by segment is given below:

	2008	2007
	£	£
Property sales	4,979,600	2,965,000
Rental income	483,761	290,599
	<u>5,463,361</u>	<u>3,255,599</u>

3 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	2008	2007
	£	£
Provision against amounts due from participating interests	1,875,000	-
Provision against amounts due from group undertakings	700,000	800,000
Auditors' remuneration - audit services	20,517	31,500
Auditors' remuneration - tax services	8,850	6,711
Write down of properties held in stock	<u>1,173,000</u>	<u>-</u>

4 Directors' emoluments

No emoluments were paid to the directors during the year (2007 - £nil).

5 Interest payable and similar charges

	2008	2007
	£	£
Bank interest payable	1,878,282	1,202,105
Other interest payable	29,567	408,707
	<u>1,907,849</u>	<u>1,610,812</u>

SDG Property Holdings Limited

Notes to the Financial Statements for the Year Ended 29 February 2008

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6 Taxation

Analysis of current period tax credit

	2008 £	2007 £
Current tax		
Corporation tax (credit)/charge	(120,974)	182,748
(Over)/under provision in previous year	35,842	(262,876)
UK Corporation tax	<u>(85,132)</u>	<u>(80,128)</u>

The tax charge for the year is higher (2007: lower) than the standard rate of corporation tax in the UK of 30% (2007: 30%). The difference is explained below:

	£	£
(Loss)/profit on ordinary activities before taxation	<u>(3,028,130)</u>	<u>1,056,043</u>
	£	£
(Loss)/profit on ordinary activities multiplied by the standard UK corporation tax rate	(908,439)	316,813
Non taxable income	(37,706)	(324,419)
Deferred tax not recognised on losses brought forward	-	(49,991)
Adjustment in respect of previous periods	35,842	(262,876)
Disallowed expenditure	825,171	240,345
Total current tax	<u>(85,132)</u>	<u>(80,128)</u>

The company has an unrecognised deferred tax asset in respect to losses incurred of £39,569 (2007: £39,569). This asset has not been recognised as it is uncertain whether it will be recovered in the foreseeable future.

SDG Property Holdings Limited

Notes to the Financial Statements for the Year Ended 29 February 2008

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7 Investments held as fixed assets

	Group shares £	Participating interests shares £	Unlisted non-group shares £	Total £
Cost				
As at 1 March 2007	1,204	3,206,627	628,004	3,835,835
Disposals	-	-	(376,871)	(376,871)
As at 29 February 2008	<u>1,204</u>	<u>3,206,627</u>	<u>251,133</u>	<u>3,458,964</u>
Net book value				
As at 29 February 2008	<u>1,204</u>	<u>3,206,627</u>	<u>251,133</u>	<u>3,458,964</u>
As at 28 February 2007	<u>1,204</u>	<u>3,206,627</u>	<u>628,004</u>	<u>3,835,835</u>

In the opinion of the directors, the aggregate value of the company's investments is not less than the amount at which they are stated in the accounts.

The company's investment in unlisted non-group shares represent minority interests in Jersey Property Unit Trusts.

The company holds more than 50% of the share capital of the following companies:

	Country of incorporation	Principal activity	Class	%
Subsidiary undertakings				
SDG Ireland Limited	England	Property trading	ordinary	100
SDG (Properties) Limited	England	Holding of Investments	ordinary	100
Scarloch (Dundee) Limited	Scotland	Property Development and Trading	ordinary	100

The company also has a more than 20% interest in the following:

	Country of incorporation	Principal activity	Class	%
Joint ventures				
Haymarket House (Belfast) Limited	England	Property development and trading	ordinary	50
Thorpe Park Developments Limited	England	Property development and trading	ordinary	34
SDG (Edinburgh) Limited	England	Property trading and investment	ordinary	50

SDG Property Holdings Limited

Notes to the Financial Statements for the Year Ended 29 February 2008

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Remote Properties 1250 Limited	England	Property trading and investment	ordinary	50
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8 Stock

	2008 £	2007 £
Stocks	<u>10,862,150</u>	<u>15,145,738</u>

Stocks include interest of £686,000 (2007: £686,000).

9 Debtors

	2008 £	2007 £
Trade debtors	54,737	37,377
Amounts owed by group undertakings	3,680,987	23,037,908
Amounts owed by undertakings in which the company has a participating interest	6,520,169	4,818,596
Other debtors	1,681,271	1,092,472
Prepayments and accrued income	257,848	133,111
	<u>12,195,012</u>	<u>29,119,464</u>

10 Creditors: Amounts falling due within one year

	2008 £	2007 £
Bank loans and overdrafts	24,861,539	42,917,739
Trade creditors	31,725	288,893
Amounts owed to group undertakings	69,407	69,316
Social security and other taxes	-	288,347
Other creditors	402,514	378,852
Accruals and deferred income	274,921	338,872
	<u>25,640,106</u>	<u>44,282,019</u>

The bank loans and overdraft are secured against the assets of the company and its subsidiary undertakings.

SDG Property Holdings Limited

Notes to the Financial Statements for the Year Ended 29 February 2008

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11 Share capital

	2008 £	2007 £
Authorised		
Equity		
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 1 pence each	10,000	10,000
	<u>11,000</u>	<u>11,000</u>
Allotted, called up and fully paid		
Equity		
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 1 pence each	10,000	10,000
	<u>11,000</u>	<u>11,000</u>

The 'A' 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.

12 Reserves

	Share premium reserve £	Profit and loss reserve £	Total £
Balance at 1 March 2007	990,000	2,818,018	3,808,018
Transfer from profit and loss account for the year	-	(2,942,998)	(2,942,998)
Balance at 29 February 2008	<u>990,000</u>	<u>(124,980)</u>	<u>865,020</u>

SDG Property Holdings Limited

Notes to the Financial Statements for the Year Ended 29 February 2008

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13 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
(Loss)/profit attributable to members of the company	(2,942,998)	1,136,171
	<u>(2,942,998)</u>	<u>1,136,171</u>
Opening equity shareholders' funds	3,819,018	2,682,847
Closing equity shareholders' funds	<u>876,020</u>	<u>3,819,018</u>

14 Related parties

Controlling entity

The company's immediate parent undertaking is SDG Scotia Limited. The company's ultimate parent undertaking is Scarborough Group International Limited, a company registered in Scotland.

The parent undertaking of the smallest and largest group for which group accounts are drawn up and of which the company is a member, is Scarborough Group International Limited. Copies of the accounts of Scarborough Group International Limited can be obtained from 4A Melville Street, Edinburgh, EH3 7NS.

In the opinion of the directors, Kevin McCabe was the ultimate controlling party at 29 February 2008.

Related party transactions

The company has taken advantage of the exemption permitted under FRS 8 not to disclose details of transactions with fellow Group undertakings.