

Registration number: SC222340

Scarborough Group Developments Limited

Directors' Report and Financial Statements

for the Year Ended 28 February 2011

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Scarborough Group Developments Limited
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Scarborough Group Developments Limited
Company Information

Directors	S C McCabe S R McCabe Esplanade Director Limited
Company secretary	Esplanade Secretarial Services Limited
Registered office	93 George Street Edinburgh EH2 3ES
Auditors	Mazars LLP 90 St Vincent Street Glasgow G2 5UB

Scarborough Group Developments Limited
Directors' Report for the Year Ended 28 February 2011

The directors present their report and the financial statements for the year ended 28 February 2011.

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 information that they know of and which they know the auditors are unaware of.

Principal activity

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

Post balance sheet events

On 6 May 2011, the immediate parent company, Scarborough Holdings Limited, waived its loan of £4,748,560 to the company and Scarborough Group Limited waived £18,370,493 of its loan to the company which, together with the release of certain provisions against intercompany debt, returned the company to a net asset position.

Directors

The directors who held office during the year and up to the date of this report were as follows:

S C McCabe

S R McCabe

Esplanade Director Limited

Scarborough Group Developments Limited
Directors' Report for the Year Ended 28 February 2011

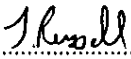
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Auditors

Mazars LLP continue in office in accordance with section 487(2) Companies Act 2006.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

Approved by the Board on 24 August 2011 and signed on its behalf by:


.....

J F Russell

for and on behalf of Esplanade Secretarial Services Limited
Company secretary

Independent Auditor's Report to the Members of Scarborough Group Developments Limited

We have audited the financial statements of Scarborough Group Developments Limited for the year ended 28 February 2011, set out on pages 6 to 16, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

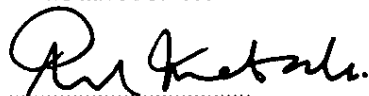
**Independent Auditor's Report to the Members of
Scarborough Group Developments Limited**

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Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Richard Metcalfe (Senior Statutory Auditor)

for and on behalf of Mazars LLP, Chartered Accountants (Statutory Auditor)

90 St Vincent Street
Glasgow
G2 5UB

26 August 2011

Scarborough Group Developments Limited
Profit and Loss Account for the Year Ended 28 February 2011

	Note	2011 £	2010 £
Turnover	2	200,000	263,978
Cost of sales	3	<u>(61,626)</u>	<u>(2,512,577)</u>
Gross profit/(loss)		138,374	(2,248,599)
Administrative expenses	4	<u>(3,432,889)</u>	<u>(13,651,582)</u>
Operating loss	5	(3,294,515)	(15,900,181)
Income from shares in group undertakings		-	260
Income from other fixed asset investments		13,133	466,055
Interest receivable and similar income	8	429,494	605,715
Amounts written off investments		(472,013)	(9,050,829)
Interest payable and similar charges	9	<u>(2,262,197)</u>	<u>(2,776,411)</u>
Loss on ordinary activities before taxation		(5,586,098)	(26,655,391)
Tax on loss on ordinary activities	10	<u>1,986</u>	<u>(96,437)</u>
Loss for the financial year	16	<u>(5,584,112)</u>	<u>(26,751,828)</u>

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

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

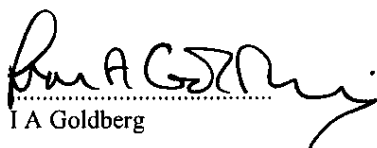
Scarborough Group Developments Limited

(Registration number: SC222340)

Balance Sheet at 28 February 2011

	Note	2011 £	2010 £
Fixed assets			
Investments	11	<u>210,657</u>	<u>682,670</u>
Current assets			
Stock	12	2,666,000	2,666,000
Debtors	13	<u>25,449,897</u>	<u>29,986,978</u>
		28,115,897	32,652,978
Creditors: Amounts falling due within one year	14	<u>(59,319,885)</u>	<u>(58,744,867)</u>
Net current liabilities		<u>(31,203,988)</u>	<u>(26,091,889)</u>
Net liabilities		<u>(30,993,331)</u>	<u>(25,409,219)</u>
Capital and reserves			
Called up share capital	15	11,000	11,000
Share premium account	16	990,000	990,000
Profit and loss account	16	<u>(31,994,331)</u>	<u>(26,410,219)</u>
		<u>(30,993,331)</u>	<u>(25,409,219)</u>

The financial statements were approved and authorised for issue by the Board on 24 August 2011 and signed on its behalf by:


I A Goldberg

for and on behalf of Esplanade Director Limited
Director

The notes on pages 8 to 16 form an integral part of these financial statements.

Scarborough Group Developments Limited

Notes to the Financial Statements for the Year Ended 28 February 2011

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 2006 and applicable accounting standards in the United Kingdom.

Going concern

On 20 May 2011, Scarborough Group Holdings Limited completed a new facility arrangement with Bank of Scotland plc, which included a three year £69 million facility to fund the Group's core properties. Scarborough Group Holdings Limited has indicated that it will provide support to the company for the foreseeable future to enable it to meet its liabilities as they fall due. Additionally, on 6 May 2011 Scarborough Holdings Limited waived its loan of £4,748,560 to the company and Scarborough Group Limited waived £18,370,493 of its loan to the company which, together with the release of certain provisions against intercompany debt, returned the company to a net asset position. Consequently these financial statements have been prepared on a going concern basis.

Group accounts

The company has taken advantage of the exemption within Chapter 4 of Part 15 of the Companies Act 2006 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.

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 tax

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.

Scarborough Group Developments Limited

Notes to the Financial Statements for the Year Ended 28 February 2011

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2 Turnover

An analysis of turnover by segment is given below:

	2011 £	2010 £
Rental income	200,000	263,978
	<u>200,000</u>	<u>263,978</u>

3 Cost of sales

	2011 £	2010 £
Cost of sales excluding exceptional items	61,626	91,822
Exceptional property impairment	-	2,420,755
	<u>61,626</u>	<u>2,512,577</u>

4 Administrative expenses

	2011 £	2010 £
Administrative expenses excluding exceptional items	7,801	2,631
Provision against amounts due from group undertakings	3,425,088	13,648,951
	<u>3,432,889</u>	<u>13,651,582</u>

5 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	2011 £	2010 £
Auditors' remuneration - audit services	4,300	500
Auditors' remuneration - non audit services	2,500	(1,400)
Loss on sale of tangible fixed assets	-	2,359
	<u>-</u>	<u>2,359</u>

The £1,400 credit for tax services in 2010 relates to the release of a prior year over accrual.

Scarborough Group Developments Limited

Notes to the Financial Statements for the Year Ended 28 February 2011

..... *continued*

6 Particulars of employees

The average number of employees (excluding directors) during the year was nil (2010: nil).

7 Directors' remuneration

No emoluments were paid to the directors during the year (2010: £nil).

8 Interest receivable and similar income

	2011 £	2010 £
Interest receivable from group undertakings	168,767	219,350
Interest receivable from participating interests	260,047	327,100
Other interest receivable	680	59,265
	<u>429,494</u>	<u>605,715</u>

9 Interest payable and similar charges

	2011 £	2010 £
Interest on bank borrowings	(21,899)	284,094
Interest payable to group undertakings	2,283,080	2,490,318
Interest payable to participating interests	1,016	2,000
Other interest payable	-	(1)
	<u>2,262,197</u>	<u>2,776,411</u>

The £21,899 credit to interest payable relates to the release of a prior year over accrual.

Scarborough Group Developments Limited

Notes to the Financial Statements for the Year Ended 28 February 2011

..... *continued*

10 Taxation

Tax on loss on ordinary activities

	2011	2010
	£	£
Current tax		
Corporation tax credit	-	(1,041)
Adjustments in respect of previous years	(1,986)	97,478
UK Corporation tax	(1,986)	96,437
Total tax on loss on ordinary activities	(1,986)	96,437

Factors affecting current tax charge for the year

The tax (credit)/charge for the year is lower (2010: higher) than the standard rate of corporation tax in the UK of 28% (2010: 28%). The difference is explained below:

	2011	2010
	£	£
Loss on ordinary activities before taxation	(5,586,098)	(26,655,391)
Corporation tax at standard rate	(1,564,107)	(7,463,509)
Non taxable income	-	(126,038)
Disallowable expenditure	265	3,509
Prior year adjustment	(1,986)	97,478
Write down of investments	132,164	2,534,232
(Release)/provision against amounts due from group undertakings	(115,872)	3,821,706
Tax losses carried forward	1,554,284	1,235,779
Adjustment in respect of partnership income	(14)	-
Transfer pricing adjustment	(6,720)	(6,720)
Total current tax	(1,986)	96,437

Scarborough Group Developments Limited

Notes to the Financial Statements for the Year Ended 28 February 2011

..... *continued*

11 Investments held as fixed assets

	2011	2010
	£	£
Shares in group undertakings and participating interests	2,309	474,223
Other investments	<u>208,348</u>	<u>208,447</u>
	<u><u>210,657</u></u>	<u><u>682,670</u></u>

Shares in group undertakings and participating interests

	Subsidiary undertakings £	Joints ventures and associates £	Total £
Cost			
At 1 March 2010	<u>10,067,032</u>	<u>473,020</u>	<u>10,540,052</u>
At 28 February 2011	<u>10,067,032</u>	<u>473,020</u>	<u>10,540,052</u>
Provision for impairment			
At 1 March 2010	(10,065,829)	-	(10,065,829)
Charge for the year	<u>-</u>	<u>(471,914)</u>	<u>(471,914)</u>
At 28 February 2011	<u>(10,065,829)</u>	<u>(471,914)</u>	<u>(10,537,743)</u>
Net book value			
At 28 February 2011	<u>1,203</u>	<u>1,106</u>	<u>2,309</u>
At 28 February 2010	<u>1,203</u>	<u>473,020</u>	<u>474,223</u>

Scarborough Group Developments Limited

Notes to the Financial Statements for the Year Ended 28 February 2011

..... continued

Other investments

	Unlisted investments £	Total £
Cost		
At 1 March 2010	251,132	251,132
At 28 February 2011	251,132	251,132
Provision for impairment		
At 1 March 2010	(42,685)	(42,685)
Charge for the year	(99)	(99)
At 28 February 2011	(42,784)	(42,784)
Net book value		
At 28 February 2011	208,348	208,348
At 28 February 2010	208,447	208,447

Other investments include a minority interest of £208,347 in a Jersey Property Unit Trust.

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings			
SDG Ireland Limited	Ordinary	100%	Property trading
SDG Property Holdings Limited	Ordinary	100%	Holding of investments
Thorpe Park Developments Limited	Ordinary	100%	Property development and trading
Europa (Forsyth) Limited	Ordinary	83%	Property trading

Joint Ventures

Haymarket House (Belfast) Limited	Ordinary	50%	Property development and trading
Sheffield Digital Campus Limited	Ordinary	50%	Property development and trading

Scarborough Group Developments Limited

Notes to the Financial Statements for the Year Ended 28 February 2011

..... *continued*

12 Stock

	2011 £	2010 £
Property held for resale	<u>2,666,000</u>	<u>2,666,000</u>

13 Debtors

	2011 £	2010 £
Trade debtors	9,456	35,952
Amounts owed by group undertakings	18,301,162	19,040,382
Amounts owed by undertakings in which the company has a participating interest	7,014,324	10,311,327
Other debtors	1	440,906
Prepayments and accrued income	<u>124,954</u>	<u>158,411</u>
	<u>25,449,897</u>	<u>29,986,978</u>

14 Creditors: Amounts falling due within one year

	2011 £	2010 £
Bank loans and overdrafts	6,465,216	6,895,482
Trade creditors	2,404	-
Amounts owed to group undertakings	52,677,325	51,653,682
Amounts owed to undertakings in which the company has a participating interest	45,182	45,181
Corporation tax	45,735	33,804
Other taxes and social security	10,025	7,967
Other creditors	4,905	11,203
Accruals and deferred income	<u>69,093</u>	<u>97,548</u>
	<u>59,319,885</u>	<u>58,744,867</u>

Scarborough Group Developments Limited
Notes to the Financial Statements for the Year Ended 28 February 2011

..... *continued*

15 Share capital

Allotted, called up and fully paid shares

	2011		2010	
	No.	£	No.	£
'A' Ordinary shares of £1 each	500	500	500	500
'B' Ordinary shares of £1 each	500	500	500	500
'C' Ordinary shares of £0.01 each	1,000,000	10,000	1,000,000	10,000
	<u>1,001,000</u>	<u>11,000</u>	<u>1,001,000</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.

16 Reserves

	Share premium account £	Profit and loss account £	Total £
At 1 March 2010	990,000	(26,410,219)	(25,420,219)
Loss for the year	-	(5,584,112)	(5,584,112)
At 28 February 2011	<u>990,000</u>	<u>(31,994,331)</u>	<u>(31,004,331)</u>

17 Reconciliation of movement in shareholders' funds/(deficit)

	2011 £	2010 £
Loss attributable to the members of the company	(5,584,112)	(26,751,828)
Net reduction to shareholders' funds/(deficit)	(5,584,112)	(26,751,828)
Shareholders' (deficit)/funds at 1 March	(25,409,219)	1,342,609
Shareholders' deficit at 28 February	<u>(30,993,331)</u>	<u>(25,409,219)</u>

Scarborough Group Developments Limited

Notes to the Financial Statements for the Year Ended 28 February 2011

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18 Contingent liabilities

The company was party to a guarantee covering the bank loans and overdrafts of Scarborough Group Limited and its subsidiary companies, which at 28 February 2011 amounted to £226,549,776 (2010: £254,304,575), excluding the amounts already recognised in the company. The borrowing was secured by a standard security over fixed assets and a bond and floating charge over all the assets of the respective companies.

19 Post balance sheet events

On 6 May 2011, the immediate parent company, Scarborough Holdings Limited, waived its loan of £4,748,560 to the company and Scarborough Group Limited waived £18,370,493 of its loan to the company which, together with the release of certain provisions against intercompany debt, returned the company to a net asset position.

20 Related party transactions

The company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" from disclosing transactions with other wholly owned members of the group.

21 Controlling entity

The company is controlled by the immediate parent company, Scarborough Holdings Limited, a company registered in Scotland.

The ultimate parent company is Scarborough Group International Limited, a company registered in Scotland. Scarborough Group International Limited is also the parent undertaking of the largest and smallest group for which group accounts are drawn up and of which the company is a member. Copies of the accounts of Scarborough Group International Limited can be obtained from: 93 George Street, Edinburgh, EH2 3ES.

The ultimate controlling party is K C McCabe.