

Registration number: SC222340

Scarborough Group Developments Limited

Directors' Report and Financial Statements

for the Year Ended 28 February 2013



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 2013

The directors present their report and the financial statements for the year ended 28 February 2013.

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.

Principal risks and uncertainties

We draw attention to the Going Concern disclosures in note 1 relating to the group's ongoing discussions with its principal lender concerning the renegotiation of the group's bank facilities.

Directors

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

S C McCabe

S R McCabe

Esplanade Director Limited

Scarborough Group Developments Limited
Directors' Report for the Year Ended 28 February 2013

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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 21 June 2013 and signed on its behalf by:



.....
J J Tutton

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 2013, 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 auditor

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 Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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 2013 and of its profit 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.

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company is party to the bank facilities of Scarborough Group Holdings Limited and is dependant upon the continued availability of sufficient bank facilities and continuing financial support from Scarborough Group Holdings Limited. The company is therefore dependant on Scarborough Group Holdings Limited reaching a satisfactory conclusion in relation to the renegotiation of the bank facilities. If the facilities are not satisfactorily renegotiated the bank may exercise its rights under the security it holds over the assets of Scarborough Group Holdings Limited and its subsidiaries.

These conditions along with the other matters explained in note 1 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include any adjustments which would result if the company was unable to continue as a going concern.

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

21 June 2013

Scarborough Group Developments Limited
Profit and Loss Account for the Year Ended 28 February 2013

	Note	2013 £	2012 £
Turnover	2	200,000	1,150,070
Cost of sales	3	<u>(302,146)</u>	<u>(822,149)</u>
Gross (loss)/profit		(102,146)	327,921
Administrative expenses	4	521,059	30,947,842
Other operating income		<u>-</u>	<u>59,736</u>
Operating profit	5	418,913	31,335,499
Income from other fixed asset investments		565	(10,514)
Interest receivable and similar income	8	938,448	221,841
Amounts written off investments		-	99
Interest payable and similar charges	9	<u>(997,828)</u>	<u>(461,111)</u>
Profit on ordinary activities before taxation		360,098	31,085,814
Tax on profit on ordinary activities	10	<u>-</u>	<u>-</u>
Profit for the financial year	16	<u><u>360,098</u></u>	<u><u>31,085,814</u></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

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Balance Sheet at 28 February 2013

	Note	2013 £	2012 £
Fixed assets			
Investments	11	<u>466</u>	<u>466</u>
Current assets			
Stock	12	1,802,010	2,175,170
Debtors	13	<u>103,341</u>	<u>22,162,974</u>
		1,905,351	24,338,144
Creditors: Amounts falling due within one year	14	<u>(1,453,236)</u>	<u>(24,246,127)</u>
Net current assets		<u>452,115</u>	<u>92,017</u>
Net assets		<u>452,581</u>	<u>92,483</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>(548,419)</u>	<u>(908,517)</u>
	17	<u>452,581</u>	<u>92,483</u>

The financial statements were approved and authorised for issue by the Board on 21 June 2013 and signed on its behalf by:



.....
J J Tutton

for and on behalf of Esplanade Director Limited
Director

Scarborough Group Developments Limited
Notes to the Financial Statements for the Year Ended 28 February 2013

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

These financial statements have been prepared on a going concern basis which assumes that the company is able to realise its assets and discharge its liabilities in the normal course of business.

In common with other subsidiaries of Scarborough Group Holdings Limited ("the group") the company is reliant upon the continued availability of group funding. The current intention of the group is that, for the foreseeable future, it will continue to make available sufficient funds as are needed by its subsidiaries and that it will not seek repayment of amounts already made available.

Property values and other asset values have remained depressed, after large falls in previous years, and, as a consequence the group did not meet certain financial covenants, contained within the group's main bank facility with Lloyds Banking Group, for a period during the last financial year. A recent up-turn in value of one of the main assets, over which the bank has security, has, however, meant that the group has been able to comply with its financial covenants, since January 2013.

The group's banking facilities with Lloyds Banking Group are split into three tranches. Two tranches of the facility have expired and are currently being renegotiated until 31 December 2013 and May 2014. The third tranche is due to expire in May 2014, and constructive discussions with Lloyds Banking Group regarding the renegotiation of all tranches of the bank facilities beyond May 2014 have already commenced.

At the date of approval of these financial statements, the group's existing bank facilities are repayable on demand and are due to be renegotiated within one year of the date on which these financial statements are signed. Therefore there is a material uncertainty in relation to the group's ability to provide the company with sufficient ongoing funding. However, based on previous experience and ongoing discussions with Lloyds Banking Group, the directors have no reason to believe that the bank will not continue to provide sufficient bank facilities to the group. In the unlikely event that the facilities are not satisfactorily renegotiated the bank may exercise its rights under the security it holds over the assets of the company and its subsidiaries.

Therefore, the directors consider it appropriate to prepare the financial statements on a going concern basis as they expect that the group will continue to be able to provide its subsidiaries with sufficient funding for the foreseeable future to enable the subsidiaries to meet their liabilities as they fall due.

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.

Scarborough Group Developments Limited

Notes to the Financial Statements for the Year Ended 28 February 2013

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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 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.

2 Turnover

An analysis of turnover by segment is given below:

	2013 £	2012 £
Rental income	200,000	200,000
Sale of stock property	-	950,070
	<u>200,000</u>	<u>1,150,070</u>

3 Cost of sales

	2013 £	2012 £
Cost of sales excluding exceptional items	(73,024)	877,149
Exceptional property impairment/(writeback)	<u>375,170</u>	<u>(55,000)</u>
	<u>302,146</u>	<u>822,149</u>

Scarborough Group Developments Limited

Notes to the Financial Statements for the Year Ended 28 February 2013

..... *continued*

4 Administrative expenses

	2013 £	2012 £
Administrative expenses excluding exceptional items	(3,875)	10,171
Release provision against amounts due from group undertakings	(517,184)	(13,544,780)
Intercompany loan waiver	-	(17,413,233)
	<u>(521,059)</u>	<u>(30,947,842)</u>

5 Operating profit/(loss)

Auditors remuneration, in respect of audit services of £2,000 was borne by Scarborough Group Holdings Limited during the year (2012: £2,000 was borne by the company).

Auditors remuneration in respect of non audit services has been disclosed within Scarborough Group International Limited.

6 Particulars of employees

The average number of employees (excluding directors) during the year was nil (2012: nil).

7 Directors' remuneration

No emoluments were paid to the directors during the year (2012: £nil).

8 Interest receivable and similar income

	2013 £	2012 £
Bank interest receivable	-	4
Interest receivable from group undertakings	938,448	101,574
Interest receivable from participating interests	-	120,263
	<u>938,448</u>	<u>221,841</u>

Scarborough Group Developments Limited

Notes to the Financial Statements for the Year Ended 28 February 2013

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9 Interest payable and similar charges

	2013	2012
	£	£
Interest payable to group undertakings	996,782	460,090
Interest payable to participating interests	<u>1,046</u>	<u>1,021</u>
	<u>997,828</u>	<u>461,111</u>

10 Taxation

Tax on profit on ordinary activities

	2013	2012
	£	£
Total tax on profit on ordinary activities	<u>-</u>	<u>-</u>

Factors affecting current tax charge for the year

Tax on ordinary activities is different from the standard rate of corporation tax in the UK of 24.17% (2012: 26.17%). The difference is explained below:

	2013	2012
	£	£
Profit on ordinary activities before taxation	<u>360,098</u>	<u>31,085,814</u>
Corporation tax at standard rate	87,036	8,135,158
Write down of investments	-	(26)
Adjustment in respect of partnership income	(137)	4,647
Intercompany loan waiver	-	(4,557,043)
Disallowable expenditure	1,992	1,143
Profit on sale of investments in excess of capital gain	-	(90)
Release provision against amounts due from group undertakings	(125,003)	(3,470,904)
Tax losses carried forward	41,913	-
Tax losses utilised in the year	-	(106,604)
Transfer pricing adjustment	<u>(5,801)</u>	<u>(6,281)</u>
Total current tax	<u>-</u>	<u>-</u>

Scarborough Group Developments Limited

Notes to the Financial Statements for the Year Ended 28 February 2013

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11 Investments held as fixed assets

	2013 £	2012 £	
Shares in group undertakings and participating interests	<u>466</u>	<u>466</u>	
Shares in group undertakings and participating interests			
	Subsidiary undertakings £	Joints ventures and associates £	Total £
Cost			
At 1 March 2012	<u>7,811,575</u>	<u>314</u>	<u>7,811,889</u>
At 28 February 2013	7,811,575	314	7,811,889
Provision for impairment			
At 1 March 2012	<u>(7,811,423)</u>	<u>-</u>	<u>(7,811,423)</u>
Net book value			
At 28 February 2013	<u>152</u>	<u>314</u>	<u>466</u>
At 29 February 2012	152	314	466

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

Scarborough Group Developments Limited

Notes to the Financial Statements for the Year Ended 28 February 2013

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12 Stock

	2013	2012
	£	£
Property held for resale	<u>1,802,010</u>	<u>2,175,170</u>

13 Debtors

	2013	2012
	£	£
Trade debtors	60,000	30,025
Amounts owed by group undertakings	-	22,069,929
Prepayments and accrued income	<u>43,341</u>	<u>63,020</u>
	<u>103,341</u>	<u>22,162,974</u>

14 Creditors: Amounts falling due within one year

	2013	2012
	£	£
Trade creditors	1,116	-
Amounts owed to group undertakings	1,307,288	23,964,795
Amounts owed to undertakings in which the company has a participating interest	19,171	18,125
Corporation tax	45,735	45,735
Other taxes and social security	10,879	13,202
Other creditors	6,927	6,180
Accruals and deferred income	<u>62,120</u>	<u>198,090</u>
	<u>1,453,236</u>	<u>24,246,127</u>

Scarborough Group Developments Limited

Notes to the Financial Statements for the Year Ended 28 February 2013

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15 Share capital

Allotted, called up and fully paid shares

	2013		2012	
	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>

16 Reserves

	Share premium account £	Profit and loss account £	Total £
At 1 March 2012	990,000	(908,517)	81,483
Profit for the year	-	360,098	360,098
At 28 February 2013	<u>990,000</u>	<u>(548,419)</u>	<u>441,581</u>

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

	2013 £	2012 £
Profit attributable to the members of the company	<u>360,098</u>	<u>31,085,814</u>
Net addition to shareholders' funds/(deficit)	360,098	31,085,814
Shareholders' funds/(deficit) at 1 March	<u>92,483</u>	<u>(30,993,331)</u>
Shareholders' funds at 28 February	<u>452,581</u>	<u>92,483</u>

Scarborough Group Developments Limited

Notes to the Financial Statements for the Year Ended 28 February 2013

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18 Contingent liabilities

The company was party to a guarantee covering the bank loans and overdrafts of Scarborough Group Holdings Limited and its subsidiary companies, which at 28 February 2013 amounted to £106,953,930 (2012: £127,861,804). 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 Related party transactions

Other related party transactions

During the year the company made the following related party transactions:

Valad Combined LP

(10% shareholder in Valad Combined LP)

Interest was charged on the loan at 6% per annum. Interest payable during the year amounted to £1,046 (2012: £1,021). At the balance sheet date the amount due from/(to) Valad Combined LP was £19,171 (2012: (£18,125)).

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.

20 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.