

Registration number: SC222340

Scarborough Group Developments Limited

Directors' Report and Financial Statements
for the Year Ended 28 February 2010

THURSDAY



AU08PQD4

A37

30/12/2010

293

COMPANIES HOUSE

Scarborough Group Developments Limited

Contents Page

Officers and advisers	1
Directors' report	2 to 3
Independent auditors' report	4 to 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 to 15

Scarborough Group Developments Limited
Officers and Advisers

Directors	Esplanade Director Limited S R McCabe S C McCabe
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 2010

The directors present their report and the audited financial statements for the year ended 28 February 2010. The company registration number is SC222340.

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.

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, 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 2006. 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 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.

Following an external revaluation of the group's properties by CBRE, the directors decided that it was appropriate to book an impairment provision of £2,420,755 against the stock property as at 28 February 2010. The company has provided against £13,648,951 of intercompany debt with its subsidiary companies at 28 February 2010. The company made a provision of £9,050,829 against its investment in subsidiary undertakings.

Results and dividends

The results for the company are set out on page 6.

The directors do not recommend the payment of a dividend (2009: £nil).

Scarborough Group Developments Limited
Directors' Report for the Year Ended 28 February 2010

..... continued

Principal risks and uncertainties

We draw attention to the Going Concern disclosures on page 8 relating to the group's ongoing discussions with its principal lender concerning the renegotiation of the group's bank facility.

Other 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 ultimate parent company, Scarborough Group International Limited.

Directors

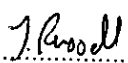
The directors who held office during the year and up to the date of this report were as follows:

- S R McCabe
- S C McCabe
- Esplanade Director Limited

Auditors

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

Approved by the Board on 17 December 2010 and signed on its behalf by:


.....

J F Russell

for and on behalf of Esplanade Secretarial Services Limited
Company Secretary

Independent Auditors' 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 2010 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.

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 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/UKNP.

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 2010 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.

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures in note 1, under the heading Going Concern. The company is dependant upon Scarborough Group International Limited continuing to provide it with sufficient funding for the foreseeable future. This assumes that Scarborough Group International Limited reaches a satisfactory conclusion in relation to the renegotiation of its bank facilities.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments which would result if the company was unable to continue as a going concern.

Opinion on the other matters 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.

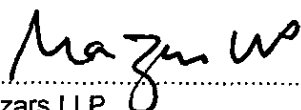
**Independent Auditors' Report to the Members of
Scarborough Group Developments Limited**

..... continued

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.



.....
Mazars LLP,
Chartered Accountants (Statutory auditor)

Richard Metcalfe (Senior statutory auditor)

90 St Vincent Street
Glasgow
G2 5UB

Date: 24/12/10

Scarborough Group Developments Limited

Profit and Loss Account for the Year Ended 28 February 2010

	Note	2010 £	2009 £
Turnover	2	263,978	6,221,777
Cost of sales		(2,512,577)	(6,324,971)
<i>including exceptional items of £2,420,755 (2009: £nil)</i>			
Gross loss		<u>(2,248,599)</u>	<u>(103,194)</u>
Administrative expenses		(13,649,223)	(254,561)
<i>including exceptional items of £13,648,951 (2009: £nil)</i>			
Other operating (expense)/income		(2,359)	60,908
Operating profit/(loss):			
Excluding exceptional items		169,525	(296,847)
Exceptional costs	3	(16,069,706)	-
Operating loss	4	(15,900,181)	(296,847)
Income from shares in group undertakings		260	2,710,902
Income from participating interests		-	5,403
Income from other fixed asset investments		-	14,057
Income from other current asset investments		466,055	-
Interest receivable and similar income		605,715	672,774
Amounts written off investments		(9,050,829)	(1,057,685)
Interest payable and similar charges	7	(2,776,411)	(1,903,077)
(Loss)/profit on ordinary activities before taxation		<u>(26,655,391)</u>	<u>145,527</u>
Tax on (loss)/profit on ordinary activities	8	(96,437)	321,062
(Loss)/profit for the financial year		<u><u>(26,751,828)</u></u>	<u><u>466,589</u></u>

Turnover and operating loss derive wholly from continuing operations.

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

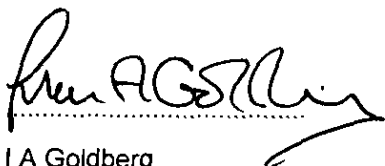
There is no material difference between the result reported above and the result on an unmodified historical cost basis.

The notes on pages 8 to 15 form an integral part of these financial statements.

Scarborough Group Developments Limited
Balance Sheet as at 28 February 2010

		2010	2009
	Note	£	£
Fixed assets			
Investments	9	682,670	5,127,545
Current assets			
Stocks	10	2,666,000	5,086,595
Debtors	11	29,986,978	34,467,398
		<u>32,652,978</u>	<u>39,553,993</u>
Creditors: Amounts falling due within one year	12	(58,744,867)	(43,338,929)
Net current liabilities		<u>(26,091,889)</u>	<u>(3,784,936)</u>
Net (liabilities)/assets		<u>(25,409,219)</u>	<u>1,342,609</u>
Capital and reserves			
Called up share capital	13	11,000	11,000
Share premium reserve	14	990,000	990,000
Profit and loss reserve	14	(26,410,219)	341,609
Equity shareholders' (deficit)/funds	15	<u>(25,409,219)</u>	<u>1,342,609</u>

The financial statements were approved by the Board on 17 December 2010 and signed on its behalf by:



I A Goldberg

for and on behalf of Esplanade Director Limited
Director

The notes on pages 8 to 15 form an integral part of these financial statements.

Scarborough Group Developments Limited

Notes to the Financial Statements for the Year Ended 28 February 2010

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.

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.

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 International 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.

The recent fall in property values has resulted in the group not meeting its financial covenants contained within the group's main bank facility with Bank of Scotland, now part of Lloyds Banking Group. Consequently, at the date of approval of these financial statements, the group's existing bank facilities are repayable on demand and therefore there is a material uncertainty in relation to the group's ability to provide the company with sufficient ongoing funding. However, the facility is currently being renegotiated and the directors believe that their discussions with the bank will lead to a satisfactory conclusion.

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.

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.

Scarborough Group Developments Limited

Notes to the Financial Statements for the Year Ended 28 February 2010

..... continued

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.

2 Turnover

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

An analysis of turnover by segment is given below:

	2010 £	2009 £
Property sales	-	5,831,000
Rental income	263,978	390,777
	<u>263,978</u>	<u>6,221,777</u>

3 Exceptional items

	2010 £	2009 £
Property impairment	2,420,755	-
Provision against amounts due from group undertakings	<u>13,648,951</u>	<u>-</u>

Scarborough Group Developments Limited

Notes to the Financial Statements for the Year Ended 28 February 2010

..... continued

4 Operating loss

Operating loss is stated after charging:

	2010 £	2009 £
Auditors' remuneration - audit services	500	10,400
Auditors' remuneration - tax services	(1,400)	11,028
Loss on disposal of fixed asset investments	2,359	-

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

5 Particulars of employees

The average number of employees during the year (excluding directors) was nil (2009: nil).

6 Directors' emoluments

No emoluments were paid to the directors during the year (2009: £nil).

7 Interest payable and similar charges

	2010 £	2009 £
Bank interest payable	284,094	1,744,229
Other interest payable	2,492,317	218,601
Less: capitalised into stock	-	(59,753)
	<u>2,776,411</u>	<u>1,903,077</u>

Scarborough Group Developments Limited

Notes to the Financial Statements for the Year Ended 28 February 2010

..... continued

8 Taxation

Analysis of current period tax charge/(credit)

	2010 £	2009 £
Current tax		
Corporation tax credit	(1,041)	(208,246)
Under/(over) provision in previous year	<u>97,478</u>	<u>(112,816)</u>
UK Corporation tax	<u>96,437</u>	<u>(321,062)</u>

The tax charge/(credit) for the year is higher than the standard rate of corporation tax in the UK of 28% (2009: 28.17%). The difference is explained below:

	£	£
(Loss)/profit on ordinary activities before taxation	<u>(26,655,391)</u>	<u>145,527</u>
	£	£
(Loss)/profit on ordinary activities multiplied by standard UK tax rate	(7,463,508)	40,995
Non taxable income	(126,038)	(765,183)
Adjustment in respect of previous periods	97,478	(112,816)
Transfer pricing adjustment	(6,720)	33,804
Disallowed expenditure	3,509	5,810
Write down of investments	2,534,232	297,950
Losses carried back	-	105,934
Losses carried forward	1,235,778	72,444
Provision against amounts due from group undertakings	<u>3,821,706</u>	<u>-</u>
	<u>96,437</u>	<u>(321,062)</u>

Scarborough Group Developments Limited

Notes to the Financial Statements for the Year Ended 28 February 2010

..... continued

9 Investments held as fixed assets

	Group shares £	Participating interests shares £	Other investments £	Total £
Cost				
As at 1 March 2009	1,206	3,678,491	2,505,533	6,185,230
Additions	4,605,957	1	-	4,605,958
Transfers	5,459,873	(3,205,472)	(2,254,401)	-
Disposals	(4)	-	-	(4)
As at 28 February 2010	<u>10,067,032</u>	<u>473,020</u>	<u>251,132</u>	<u>10,791,184</u>
Provision				
As at 1 March 2009	-	1,015,000	42,685	1,057,685
Transfers	1,015,000	(1,015,000)	-	-
Charge for the year	9,050,829	-	-	9,050,829
As at 28 February 2010	<u>10,065,829</u>	<u>-</u>	<u>42,685</u>	<u>10,108,514</u>
Net book value				
As at 28 February 2010	<u>1,203</u>	<u>473,020</u>	<u>208,447</u>	<u>682,670</u>
As at 28 February 2009	<u>1,206</u>	<u>2,663,491</u>	<u>2,462,848</u>	<u>5,127,545</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.

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

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 Property Holdings Limited	England	Holding of investments	Ordinary	100
Thorpe Park Developments Limited	England	Property development and trading	Ordinary	100
Europa (Forsyth) Limited	England	Property trading	Ordinary	83

Scarborough Group Developments Limited

Notes to the Financial Statements for the Year Ended 28 February 2010

..... continued

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

	Country of incorporation	Principal activity	Class	%
Joint ventures				
Haymarket House (Belfast) Limited	England	Property development and trading	Ordinary	50
Sheffield Digital Campus Limited	England	Property development and trading	Ordinary	50

10 Stock

	2010 £	2009 £
Development property	<u>2,666,000</u>	<u>5,086,595</u>

The property held for resale has been written down by £2,420,755 as at 28 February 2010, in accordance with an external valuation by CBRE.

11 Debtors

	2010 £	2009 £
Trade debtors	35,952	29,820
Amounts owed by group undertakings	19,040,382	22,738,785
Amounts owed by undertakings in which the company has a participating interest	10,311,327	9,765,966
Other debtors	440,906	1,860,908
Prepayments and accrued income	158,411	71,919
	<u>29,986,978</u>	<u>34,467,398</u>

Scarborough Group Developments Limited

Notes to the Financial Statements for the Year Ended 28 February 2010

..... continued

12 Creditors: Amounts falling due within one year

	2010 £	2009 £
Bank loans and overdrafts	6,895,482	41,921,809
Trade creditors	-	16,530
Amounts owed to group undertakings	51,653,682	97,125
Amounts owed to undertakings in which the company has a participating interest	45,181	478,048
Corporation tax	33,804	-
Social security and other taxes	7,967	1,895
Other creditors	11,203	502,257
Accruals and deferred income	97,548	321,265
	<u>58,744,867</u>	<u>43,338,929</u>

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

13 Share capital

	2010 £	2009 £
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.

Scarborough Group Developments Limited

Notes to the Financial Statements for the Year Ended 28 February 2010

..... continued

14 Reserves

	Share premium reserve £	Profit and loss reserve £	Total £
Balance at 1 March 2009	990,000	341,609	1,331,609
Loss for the year	-	(26,751,828)	(26,751,828)
Balance at 28 February 2010	<u>990,000</u>	<u>(26,410,219)</u>	<u>(25,420,219)</u>

15 Reconciliation of movements in shareholders' funds/(deficit)

	2010 £	2009 £
(Loss)/profit attributable to members of the company	(26,751,828)	466,589
	<u>(26,751,828)</u>	<u>466,589</u>
Opening equity shareholders' funds	1,342,609	876,020
Closing equity shareholders' (deficit)/funds	<u>(25,409,219)</u>	<u>1,342,609</u>

16 Related parties

Controlling entity

The company's immediate parent undertaking is 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 smallest and largest 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: 4A Melville Street, Edinburgh, EH3 7NS.

In the opinion of the directors, K C McCabe is the ultimate controlling party.

Related party transactions

As permitted under FRS 8, paragraph 3c, transactions with entities within the Scarborough Group International Limited group have not been disclosed.