

COMPANY REGISTRATION NUMBER SC019971

THOMAS MENZIES (BUILDERS) LIMITED



ANNUAL REPORT AND STATEMENT OF ACCOUNTS TO 31st JULY 2012

Thomas Menzies (Builders) Limited

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

J. M. SMART

R. A. ANDERSON

COMPANY SECRETARY

P. SWEENEY

REGISTERED OFFICE

HAYFIELD PLACE

HAYFIELD INDUSTRIAL ESTATE

KIRKCALDY

KY2 5DH

BANKERS

BANK OF SCOTLAND,

38 ST ANDREW SQUARE

EDINBURGH

EH2 2YR

BANK OF SCOTLAND,

CARBERRY ROAD

MITCHELSON

KIRKCALDY

KY1 3PA

AUDITORS

FRENCH DUNCAN LLP

CHARTERED ACCOUNTANTS,

375 WEST GEORGE STREET

GLASGOW

G2 4LW

SOLICITORS

RUSSEL & AITKEN LLP,

27 RUTLAND SQUARE

EDINBURGH

EH1 2BU

ANDERSON STRATHERN LLP,

1 RUTLAND COURT

EDINBURGH

EH3 8EY

The Directors submit their Annual Report and Statement of Accounts for the year ended 31st July 2012.

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was the preparation of building sites and the construction of roads and sewers.

Revenue during the year increased by £1,121,053 resulting in an operating loss before net valuation surplus on investment properties of £22,387. The net valuation surplus on investment properties amounted to £4,638,472, resulting in a profit before tax of £4,616,085 as compared with a loss of £461,844 in the previous year.

RESULTS AND DIVIDENDS

The profit of the Company for the year after charging taxation amounted to £3,564,498.

The Directors do not recommend the payment of a dividend.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year which 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. Under that law they are required to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) 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 its profit or loss for that period.

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;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the EU; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and IFRS, as adopted by the EU. 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.

Under applicable law and regulations the Directors are also responsible for preparing the Report of the Directors that complies with that law and regulations.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Full details of the movements in Property, plant and equipment and Investment properties during the year are given in notes 5 and 6 to the accounts.

At 31st July 2012 a valuation of the Company's non-investment heritable properties was carried out by Parent Company Directors. This valuation, which has not been incorporated into these accounts, showed a net surplus over the cost of these properties after depreciation of £68,479 as at 31st July 2012.

FUTURE DEVELOPMENTS

It is not anticipated that the activities of the Company, as described above, will substantially change in the immediate future.

DIRECTORS AND THEIR INTERESTS

The Directors who served the Company during the year were as follows:

J. M. Smart
A. D. McClure retired 19th December 2011
R. A. Anderson

The Company is a wholly owned subsidiary and the interests of the Group Directors are disclosed in the financial statements of the Parent Company.

In accordance with the Articles of Association, J. M. Smart will retire from the Board and, being eligible, offers himself for re-election.

AUDITORS

In accordance with section 489 of Companies Act 2006, a resolution is to be proposed at the forthcoming Annual General Meeting for the re-appointment of French Duncan LLP as auditors of the Company.

STATEMENT OF DISCLOSURE TO AUDITORS

In the case of each of the Directors who were Directors at the date this Report was approved:

- so far as the Directors are aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware, and
- each of the Directors has taken all 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.

Patricia Sweeney
APPROVED BY THE BOARD OF DIRECTORS
AND SIGNED ON ITS BEHALF BY,
P. SWEENEY,
Secretary.

13th November 2012

INDEPENDENT REPORT OF THE AUDITORS

TO THE SHAREHOLDER OF THOMAS MENZIES (BUILDERS) LIMITED

We have audited the financial statements of Thomas Menzies (Builders) Limited for the year ended 31st July 2012 which comprise Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and related notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibility 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.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31st July 2012 and of the profit and the Company's Cash Flow for the year then ended;
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company; or
- the Company's 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.



375 WEST GEORGE STREET,
GLASGOW, G2 4LW
13th November 2012

Kevin G Booth
Senior Statutory Auditor
for and on behalf of FRENCH DUNCAN LLP,
Statutory Auditor and Chartered Accountants

Thomas Menzies (Builders) Limited**STATEMENT OF COMPREHENSIVE INCOME for the year ended 31st JULY 2012**

	Notes	2012 £	2011 £
REVENUE		4,447,963	3,326,910
Cost of sales		<u>(3,626,308)</u>	<u>(2,973,794)</u>
GROSS PROFIT		821,655	353,116
Net operating expenses		<u>(844,042)</u>	<u>(814,960)</u>
OPERATING LOSS BEFORE NET SURPLUS ON VALUATION OF INVESTMENT PROPERTIES	3	(22,387)	(461,844)
Net surplus on valuation of investment properties		<u>4,638,472</u>	<u>—</u>
PROFIT/(LOSS) BEFORE TAX		4,616,085	(461,844)
Taxation	4	<u>(1,051,587)</u>	<u>124,026</u>
PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDER		<u>3,564,498</u>	<u>(337,818)</u>

All activities in both the current and previous year relate to continuing operations.

The notes on pages 10 to 23 form an integral part of these accounts.

Thomas Menzies (Builders) Limited

STATEMENT OF CHANGES IN EQUITY as at 31st JULY 2012

	Share Capital £	Retained Earnings £	Total £
At 1st August 2010	4,900	1,546,368	1,551,268
Total recognised Income and Expense	—	(337,818)	(337,818)
Total comprehensive income	—	(337,818)	(337,818)
At 31st July 2011	<u>4,900</u>	<u>1,208,550</u>	<u>1,213,450</u>
Total recognised Income and Expense	—	3,564,498	3,564,498
Total comprehensive income	—	3,564,498	3,564,498
At 31st July 2012	<u>4,900</u>	<u>4,773,048</u>	<u>4,777,948</u>

The notes on pages 10 to 23 form an integral part of these accounts.

Thomas Menzies (Builders) Limited

STATEMENT OF FINANCIAL POSITION as at 31st JULY 2012

	Notes	2012 £	2011 £
NON-CURRENT ASSETS			
Property, plant and equipment	5	220,317	328,115
Investment properties	6	4,663,422	—
Deferred tax asset	12	26,093	26,993
		<u>4,909,832</u>	<u>355,108</u>
CURRENT ASSETS			
Inventories	7	103,242	161,154
Trade and other receivables	8	812,831	1,154,149
Current tax assets		3,568	120,292
Cash at bank and in hand		358,845	189
		<u>1,278,486</u>	<u>1,435,784</u>
TOTAL ASSETS		<u>6,188,318</u>	<u>1,790,892</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	12	1,076,384	22,129
CURRENT LIABILITIES			
Trade and other payables	10	333,986	511,534
Bank overdraft		—	43,779
		<u>333,986</u>	<u>555,313</u>
TOTAL LIABILITIES		<u>1,410,370</u>	<u>577,442</u>
NET ASSETS		<u>4,777,948</u>	<u>1,213,450</u>
EQUITY			
Called up share capital	13	4,900	4,900
Retained earnings	14	4,773,048	1,208,550
TOTAL EQUITY		<u>4,777,948</u>	<u>1,213,450</u>

Approved by the Board on
13th November 2012

COMPANY REGISTRATION NUMBER SC019971

J. M. SMART, Director



The notes on pages 10 to 23 form an integral part of these accounts.

Thomas Menzies (Builders) Limited

STATEMENT OF CASH FLOWS for the year ended 31st JULY 2012

	Notes	2012 £	2011 £
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	15(a)	280,792	(499,039)
Tax received on loss		<u>120,292</u>	<u>11,499</u>
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		<u>401,084</u>	<u>(487,540)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(7,704)	(113,488)
Sale of property, plant and equipment		<u>9,055</u>	<u>11,450</u>
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		<u>1,351</u>	<u>(102,038)</u>
INCREASE/(DECREASE) IN CASH, CASH EQUIVALENTS AND BANK		<u>402,435</u>	<u>(589,578)</u>
CASH, CASH EQUIVALENTS AND BANK AT BEGINNING OF YEAR	15(b)	<u>(43,590)</u>	<u>545,988</u>
CASH, CASH EQUIVALENTS AND BANK AT END OF YEAR	15(b)	<u>358,845</u>	<u>(43,590)</u>

The notes on pages 10 to 23 form an integral part of these accounts.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

GENERAL INFORMATION

Thomas Menzies (Builders) Limited is a limited company registered in Scotland and incorporated in the United Kingdom.

STATEMENT OF COMPLIANCE

The accounts are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) Interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE YEAR TO 31ST JULY 2012

The following new Standards, Amendments to Standards and Interpretations which were mandatory for the first time for the year to 31st July 2012, but which are not relevant or material to the Company were:

- IFRS 1 (amended), First Time Adoption relating to severe hyperinflation and the removal of fixed dates for first time adopters.
- IFRS 7 (amended), Financial Instruments Disclosures relating to transfers of financial assets.
- IAS 24 (revised), Related Party Disclosures revised definition of related parties.
- IFRIC 14 (amended), IAS 19 Prepayments of a minimum funding requirement.
- IFRIC 20, Stripping costs in the production phase of a surface mine.

Also there have been changes to standards resulting from the International Accounting Standards Board's 2010 Annual Improvement Programme, none of the amendments had a material impact on the Company.

The Company adopted IAS 12 (revised), Income Tax relating to Deferred Tax and the recovery of underlying assets in the accounts to 31st July 2012 although mandatory adoption thereof is not required until the year to 31st July 2013.

NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET APPLIED

The following new Standards, Amendments to Standards and Interpretations have been issued by the International Accounting Standard Board but which are effective for the Company after the date of these financial statements, and have not been adopted earlier:

- IAS 1 (amended), Presentation of items in Other Comprehensive Income. Effective for accounting periods beginning on or after 1st July 2012.
- IAS 19 (amended), Employee benefits resulting from Post-Employment and Termination Benefits projects. Effective for accounting periods beginning on or after 1st January 2013.
- IAS 27 (revised), Consolidated and Separate Financial Statements. Effective for accounting periods beginning on or after 1st January 2013.
- IAS 28 (revised), Investments in Associates and Joint Ventures. Effective for accounting periods beginning on or after 1st January 2013.
- IAS 32 (amended), Financial Instruments: Presentation relating to offset of assets and liabilities. Effective for accounting periods beginning on or after 1st January 2014.
- IFRS 1 (amended), First Time Adoption relating to government loans with below-market rate of interest. Effective for accounting periods beginning on or after 1st January 2013.
- IFRS 7 (amended), Financial Instruments Disclosures relating to offset of assets and liabilities. Effective for accounting periods beginning on or after 1st January 2013.
- IFRS 9 (amended), Financial Instruments – Classification and Measurement. Effective for accounting periods beginning on or after 1st January 2015.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET APPLIED (continued)

- IFRS 10 Consolidated Financial Statements. Effective for accounting periods beginning on or after 1st January 2013.
- IFRS 11 Joint Arrangements. Effective for accounting periods beginning on or after 1st January 2013.
- IFRS 12 Disclosures of Interests in Other Entities. Effective for accounting periods beginning on or after 1st January 2013.
- IFRS 13 Fair Value Measurement. Effective for accounting periods beginning on or after 1st January 2013.

Also there have been changes to standards resulting from the International Accounting Standards Board's 2009 - 2011 Annual Improvement Programme.

The Directors are to fully consider the implications of these Standards, Amendments to Standards and Interpretations and their relevance and impact on the financial statements of the Company. The Directors anticipate that there will be no material effect on the financial statements.

BASIS OF PREPARATION

The accounts have been prepared under the historical cost convention.

The accounting policies set out below have been consistently applied to all periods presented in these accounts.

The preparation of financial statements requires management to make estimates and assumptions concerning the future that may affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Management believes that the estimates and assumptions used in the preparation of these accounts are reasonable. However, actual outcomes may differ from those anticipated.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

INVESTMENT PROPERTIES

Investment properties are revalued annually by the Group Directors in accordance with the RICS Valuation Standards. The Directors use yields which they consider to be appropriate to the circumstances and nature of the Company's investment property portfolio. The Directors consider that any variances in yields would not result in significant changes in revaluation movements.

LONG-TERM CONTRACT PROVISIONS

Judgement is required in the area of provisions for losses on long-term contracts. The Directors consider adequate, but not excessive provisions have been made in this respect.

RETIREMENT BENEFIT OBLIGATION

The valuation of the retirement benefit obligation is dependent upon a series of assumptions, mainly discount rates, mortality rates, investment returns, salary, inflation and rate of pension increases which are determined after taking expert advice from the Group's Actuary.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

CAPITAL MANAGEMENT

Company objectives in managing capital are to safeguard the interests of the Company to operate as a debt-free going concern and of its employees to maintain wherever possible security of employment, remuneration and retirement provisions.

The capital structure of the Company consists of issued share capital and retained earnings, represented predominantly by investment properties and cash.

Assets are purchased, managed and maintained by the Company's management and employees, advised where appropriate by independent outside professionals.

The Company has sufficient bank facilities and readily realisable assets available to meet its foreseeable commitments.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of them can be measured reliably. All other repair and maintenance expenditure is charged to the Statement of Comprehensive Income as incurred.

The Company assesses at each Balance Sheet date whether there is an indication that an asset may be impaired. If such any indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. Where the carrying value exceeds its recoverable amount the asset is considered impaired and written down accordingly.

DEPRECIATION

Depreciation is provided on all items of property, plant and equipment, other than freehold land, at rates calculated to write off the cost of each asset over its expected useful life, as follows:

Freehold buildings	- over 40 to 66 years
Plant and machinery	- 25% to 33 1/3% reducing balance
Office furniture and fittings	- 15% to 33 1/3% reducing balance
Motor vehicles	- 33 1/3% reducing balance

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

INVESTMENT PROPERTIES

Investment properties are properties owned by the Company which are held for long-term rental income or for capital appreciation or both. Investment properties are initially recognised at cost and revalued at the Balance Sheet date to fair value as determined by Company Directors in accordance with the RICS Valuation Standards.

Properties under development are stated at cost including attributable overheads.

Gains or losses arising from the changes in fair value are included in the Statement of Comprehensive Income in the period in which they arise. In accordance with IAS 40: Investment Property, as the Company uses the fair value model, no depreciation is provided in respect of investment properties including integral plant.

Additions to investment properties consist of costs of a capital nature and, in the case of investment properties under development, includes certain internal staff and associated costs directly attributable to the management of the developments under construction.

Where the Company redevelops an existing investment property for continued future use as an investment property, the property remains an investment property measured at fair value through the Statement of Comprehensive Income.

INVENTORIES AND WORK IN PROGRESS

Inventories are valued at the lower of cost and net realisable value.

Work in progress other than long-term contract work in progress is valued at the lower of cost and net realisable value.

Cost includes materials, on a first-in first-out basis and direct labour plus attributable overheads based on normal operating activity, where applicable. Net realisable value is the estimated selling price less anticipated disposal costs.

LONG-TERM CONTRACTS

Amounts recoverable on contracts which are included in debtors are stated at cost as defined above, plus attributable profit to the extent that this is reasonably certain after making provision for maintenance costs, less any losses incurred or foreseen in bringing contracts to completion, and less amounts received as progress payments.

For any contracts where receipts exceed the book value of work done, the excess is included in trade and other payables as payments on account.

INCOME TAX

The charge for current UK corporation tax is based on results for the year as adjusted for items that are non-assessable or disallowed and any adjustments for tax payable in respect of previous years. It is calculated using rates that have been enacted or substantially enacted at the Balance Sheet date.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)**DEFERRED TAXATION**

Deferred tax is provided using the liability method in respect of temporary differences between the carrying value of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is provided on all temporary differences where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the Balance Sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. It is recognised in the Statement of Comprehensive Income except when it relates to items credited or charged directly to Equity, in which case the deferred tax is also dealt with in Equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

PENSIONS

The Company contributes to the Group Defined Benefit Pension Scheme, which was closed to new members during the year to 31st July 2003 and which requires contributions to be made to an administered fund.

The obligations of the scheme represent benefits accruing to employees and are measured at discounted present value while scheme assets are measured at their fair value. The discount rate used is the yield on AA credit rated corporate bonds that have a maturity date approximating to the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

The operating and financial costs of such plans are recognised separately in the Statement of Comprehensive Income, service costs are spread systematically over the working lives of the employees concerned and financing costs are recognised in the periods in which they arise. Actuarial gains and losses, arising from either experience, differing from previous actuarial assumptions or changes to those assumptions, are recognised immediately in the Statement of Recognised Income and Expense.

The Company also operates a defined contribution Group Personal Pension Plan for eligible employees. The plan is externally administered and professionally managed. Contributions payable are expensed to the Statement of Comprehensive Income as incurred.

REVENUE

Revenue, which is stated net of value added tax, represents the invoiced value of goods sold, except in the case of long-term contracts where revenue represents the sales value of work done in the year. The measurement and stage of completion of revenue of long-term contracts are based on external valuations issued by the third party surveyors.

Profits on long-term contracts are calculated in accordance with International Financial Reporting Standards and do not relate directly to revenue. Profit on current contracts is only taken at a stage near enough to completion for that profit to be reasonably certain after making provision for contingencies, whilst provision is made for all losses incurred to the accounting date together with any further losses that are foreseen in bringing contracts to completion.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Statement of Financial Position when the Company becomes a party to the contractual provision of the instrument. The principal treasury objective is to provide sufficient liquidity to meet operational cash requirements. The Company operates controlled treasury policies which are monitored by the Board to ensure that the needs of the Company are met as they arise.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised at invoiced value less provisions for impairment. A provision for impairment of trade receivables is established where there is objective evidence that the Company will not be able to collect all amounts due according to the terms of the receivables concerned.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, deposits with banks and other short-term, highly liquid investments with original maturities of three months or less.

TRADE AND OTHER PAYABLES

Trade and other payables are non-interest bearing and are recognised at invoiced amount.

2. STAFF COSTS AND DIRECTORS' REMUNERATION

Staff costs during the year amounted to:

	2012 £	2011 £
Wages, salaries and short term benefits	1,399,190	1,276,033
Social security costs	125,291	108,232
Post-employment benefits	170,131	160,332
	<u>1,694,612</u>	<u>1,544,597</u>

The average weekly number of employees during the year was made up as follows:

	No.	No.
Construction and related services	45	47
Office and management	3	4
	<u>48</u>	<u>51</u>

Directors' remuneration:

	£	£
Salaries and short term benefits	79,201	78,469
Post-employment benefits	15,669	15,651
Fees	—	—
	<u>94,870</u>	<u>94,120</u>

R. A. Anderson is the only Director of the Company for whom contributions are paid by the Company to the Group's defined benefit pension scheme. No contributions are paid for any of the Company Directors to the Group's Personal Pension Plan.

Key management comprises solely of the Directors of the Company.

3. OPERATING LOSS

	2012 £	2011 £
This is stated after charging/(crediting):		
Cost of inventories recognised as an expense	1,834,331	1,378,405
Staff costs (per note 2)	1,694,612	1,544,597
Hire of plant and machinery	321,632	224,844
Depreciation of owned assets	89,174	126,074
Profit on disposal of property, plant and equipment	(7,677)	(7,664)
Auditors' remuneration and expenses	<u>12,500</u>	<u>13,000</u>

4. TAXATION

UK Corporation Tax		
Current tax on income for the year	(3,568)	(120,292)
Corporation tax under provided in previous years	—	(60)
	<u>(3,568)</u>	<u>(120,352)</u>
Deferred taxation (note 12)	1,055,155	(3,674)
	<u>1,051,587</u>	<u>(124,026)</u>
 Current Tax Reconciliation		
Profit/(Loss) on ordinary activities before tax	<u>4,616,085</u>	<u>(461,844)</u>
 Current tax at 25.33% (2011, 27.33%)	1,169,254	(126,222)
Effects of:		
Expenses not deductible for tax purposes	93	106
Depreciation in excess of capital allowances	633	682
Effect of indexation allowance	(13,049)	—
Effect of changes in tax rate	(105,344)	1,468
Adjustments to tax charge in respect of prior years	—	(60)
	<u>1,051,587</u>	<u>(124,026)</u>

The rate of corporation tax reduced from 26% to 24% during the year. The effective rate of tax has been calculated as the average rate applicable over the period.

In calculating the deferred tax assets and liabilities the Company has adopted IAS 12 (revised), Income Tax relating to Deferred Tax and the recovery of underlying assets in the accounts to 31st July 2012 although mandatory adoption thereof is not required until the year to 31st July 2013.

Thomas Menzies (Builders) Limited

NOTES TO THE ACCOUNTS (continued)

31st July 2012

5. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Freehold £	Plant, equipment and vehicles £	Total £
Cost:			
At 1st August 2011	125,347	1,374,382	1,499,729
Additions	—	5,850	5,850
Transfer from group company	—	14,079	14,079
Transfer to Investment properties	(24,950)	—	(24,950)
Disposals	—	(13,940)	(13,940)
At 31st July 2012	<u>100,397</u>	<u>1,380,371</u>	<u>1,480,768</u>
Depreciation:			
At 1st August 2011	70,780	1,100,834	1,171,614
Transfer from group company	—	12,225	12,225
Provided during year	2,495	86,679	89,174
Disposals	—	(12,562)	(12,562)
At 31st July 2012	<u>73,275</u>	<u>1,187,176</u>	<u>1,260,451</u>
Net book value:			
At 31st July 2012	<u>27,122</u>	<u>193,195</u>	<u>220,317</u>

As referred to in the Report of the Directors, the Company's properties were revalued at 31st July 2012. This revaluation which has not been incorporated into these accounts showed a net surplus over the cost of these properties after depreciation of £68,479 as at 31st July 2012.

Included within Freehold Land and Buildings is land costing £602 (2011, £25,552) which is not depreciated.

	Land and buildings Freehold £	Plant, equipment and vehicles £	Total £
Cost:			
At 1st August 2010	125,347	1,343,094	1,468,441
Additions	—	113,488	113,488
Disposals	—	(82,200)	(82,200)
At 31st July 2011	<u>125,347</u>	<u>1,374,382</u>	<u>1,499,729</u>
Depreciation:			
At 1st August 2010	68,285	1,055,669	1,123,954
Provided during year	2,495	123,579	126,074
Disposals	—	(78,414)	(78,414)
At 31st July 2011	<u>70,780</u>	<u>1,100,834</u>	<u>1,171,614</u>
Net book value:			
At 31st July 2011	<u>54,567</u>	<u>273,548</u>	<u>328,115</u>

6. INVESTMENT PROPERTIES

	Land and buildings Freehold £
Cost or valuation:	
At 1st August 2011	—
Additions	—
Transfers from Property, plant & equipment	24,950
Disposals	—
Surplus on valuation	4,638,472
At 31st July 2012	<u>4,663,422</u>

The Company's investment properties were valued on the basis of open market value on 31st July 2012 in accordance with RICS Valuation Standards by J. M. Smart, MRICS and D. W. Smart MRICS, who are Directors of the Parent Company. Open market value represents the estimated amount for which property should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction, and does not account for costs of disposals.

In accordance with IAS 40: Investment Property, completed investment properties are revalued annually and the aggregate surplus or deficit is taken to the Statement of Comprehensive Income and no depreciation is provided in respect of these properties.

The Company had no obligations in respect of developments and repair costs of investment properties at the Balance Sheet date.

7. INVENTORIES

	2012 £	2011 £
Long-term contract balances	71,568	123,350
Raw materials and consumables	31,674	37,804
	<u>103,242</u>	<u>161,154</u>

CONTRACTS IN PROGRESS AT THE BALANCE SHEET DATE:

Aggregate amounts of costs incurred and recognised profits less recognised losses to date	1,695,634	621,599
Advances received	(1,478,373)	(434,978)
Net value of contracts in progress	<u>217,261</u>	<u>186,621</u>

8. TRADE AND OTHER RECEIVABLES

Trade debtors	618,265	882,511
Amounts owed by Group Companies	8,984	135
Other receivables	36,647	39,410
Prepayments and accrued income	46,654	44,061
Amounts recoverable on contracts	102,281	188,032
	<u>812,831</u>	<u>1,154,149</u>

9. BANK

The bank has been granted guarantees and letters of offset by each member of the Group in favour of the bank on account of all other members of the Group as a continuing security for all monies, obligations and liabilities owing or incurred to the bank.

10. TRADE AND OTHER PAYABLES

	2012 £	2011 £
Trade creditors	136,974	168,630
Amounts owed to Group Companies	–	2,410
Other taxes and social security costs	138,148	139,494
Other creditors and accruals	58,864	201,000
	<u>333,986</u>	<u>511,534</u>

11. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise bank balances and cash, trade receivables and trade payables. The amounts presented in relation to trade receivables are net of allowances for doubtful receivables.

The carrying amount of these assets approximates to their fair value.

Credit risk

In relation to the Company's financial assets, the Company has no significant concentration of credit risk, as exposure is spread over a large number of counterparties and customers.

12. DEFERRED TAXATION

Deferred Tax Assets

	Other Timing Differences £
At 1st August 2010	23,609
Credited to Statement of Comprehensive Income	3,384
At 31st July 2011	<u>26,993</u>
Charged to Statement of Comprehensive Income	(900)
At 31st July 2012	<u>26,093</u>

Deferred Tax Liabilities

	Valuation surplus on Investment Properties £	Other Timing Differences £	Total £
At 1st August 2010	–	22,419	22,419
Credited to Statement of Comprehensive Income	–	(290)	(290)
At 31st July 2011	<u>–</u>	<u>22,129</u>	<u>22,129</u>
Charged/(credited) to Statement of Comprehensive Income	1,055,000	(745)	1,054,255
At 31st July 2012	<u>1,055,000</u>	<u>21,384</u>	<u>1,076,384</u>

13. SHARE CAPITAL

	2012 £	2011 £
Allotted called up and fully paid 4,900 (2011, 4,900) ordinary shares of £1 each	<u>4,900</u>	<u>4,900</u>

All shareholders of ordinary shares have a right to receive dividends paid by the Company in accordance with their shareholding. Each shareholder has the right to attend and vote at a General Meeting, each share attracts one vote. There are no restrictions on the distribution of dividends or repayment of capital.

14. STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Share Capital £	Retained Earnings £	Total £
At 1st August 2010	4,900	1,546,368	1,551,268
Total recognised Income and Expense	—	(337,818)	(337,818)
Total comprehensive income	—	(337,818)	(337,818)
At 31st July 2011	<u>4,900</u>	<u>1,208,550</u>	<u>1,213,450</u>
Total recognised Income and Expense	—	3,564,498	3,564,498
Total comprehensive income	—	3,564,498	3,564,498
At 31st July 2012	<u>4,900</u>	<u>4,773,048</u>	<u>4,777,948</u>

15. NOTES TO THE STATEMENT OF CASH FLOWS

(a) RECONCILIATION OF OPERATING LOSS TO CASH FLOWS FROM OPERATING ACTIVITIES

	2012 £	2011 £
Profit/(Loss) before tax	4,616,085	(461,844)
Depreciation	89,174	126,074
Unrealised valuation surplus on investment properties	(4,638,472)	—
Profit on sale of property, plant and equipment	(7,677)	(7,664)
Change in inventories	57,912	105,407
Change in receivables	341,318	(381,488)
Change in payables	(177,548)	120,476
Net cash generated from/(used in) operations	<u>280,792</u>	<u>(499,039)</u>

(b) CASH AND CASH EQUIVALENTS FOR STATEMENT OF CASH FLOWS

Cash and cash equivalents	358,845	189
Bank overdraft	—	(43,779)
Net position	<u>358,845</u>	<u>(43,590)</u>

(c) ANALYSIS OF NET FUNDS

	At 1st August 2011 £	Cash Flow £	Other £	At 31st July 2012 £
Cash and cash equivalents	189	358,656	—	358,845
Bank overdraft	(43,779)	43,779	—	—
Net funds	<u>(43,590)</u>	<u>402,435</u>	<u>—</u>	<u>358,845</u>

16. FUTURE CAPITAL EXPENDITURE

There were no amounts of Capital Expenditure relating to Property, plant and equipment contracted for at 31st July 2012 or 31st July 2011.

17. RETIREMENT BENEFIT OBLIGATIONS

The Company contributes to the Group Defined Benefit Pension Scheme for its employees which was closed to new members during the year to 31st July 2003. The scheme's assets are held separately from the assets of the Company and are administered and managed professionally. The last completed triennial valuation of the scheme was made at 1st November 2009 by an independent qualified actuary. A Statement of Funding Principals has been agreed with the scheme trustees and based on these principals the technical provisions at this evaluation reveals a deficit of £3,400,000, representing a funding level of 86.1%. It has also been agreed with the scheme trustees that the employer contributions to the scheme will continue at the level of 63.6% of pensionable salaries and employee contributions at 3%. The actuarial valuation has been updated to take account of the requirements of IAS 19: Employee Benefits in order to assess the assets and liabilities of the scheme at 31st July 2012.

The Company and Group has accounted for the pensions scheme in accordance with IAS 19: Employee Benefits, however the Company is unable to identify its share of the underlying assets and liabilities of the Group scheme and hence is unable to determine its share of the Group pension deficit of £1,490,000 on an IAS 19 basis.

The Company's pension charge to the Statement of Comprehensive Income in respect of the defined benefit scheme was £136,422 (2011, £132,305).

Full details and disclosures of the defined benefit scheme are given in the financial statements of the Parent Company.

In the year to 31st July 2003 the Group commenced operation of a defined contribution Group Personal Pension Plan for eligible employees. The plan is externally administered and managed professionally by AEGON UK. The net contribution to the plan for the year was £19,621 (2011, £14,137).

18. CONTINGENT LIABILITIES

The Company, in the normal course of business, entered into counter-indemnities in respect of performance bonds relating to their contracts. As at 31st July 2012 these amounted to £79,000.

19. RELATED PARTY TRANSACTIONS

(a) GROUP COMPANIES

Transactions between the Company and its fellow Group Companies are as follows:

	2012 £	2011 £	2012 £	2011 £
	Sale of goods and services		Purchase of goods and services	
GROUP COMPANY				
J Smart & Co (Contractors) PLC	20,232	29,994	79,387	67,096
McGowan & Co (Contractors) Limited	—	—	—	—
Cramond Real Estate Company Limited	—	—	—	—
Concrete Products (Kirkcaldy) Limited	63,193	43,989	20,633	17,575
C & W Assets Limited	5,109	2,365	—	—

	Amounts owed by fellow Group Company	Amounts owed to fellow Group Company
GROUP COMPANY		
J Smart & Co (Contractors) PLC	801	—
McGowan & Co (Contractors) Limited	—	—
Cramond Real Estate Company Limited	—	—
Concrete Products (Kirkcaldy) Limited	7,929	—
C & W Assets Limited	254	135

The amounts outstanding are unsecured and will be settled for cash. No expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by Group Companies.

(b) DIRECTORS' REMUNERATION

The remuneration of the Directors, who are the only key management in the Company, is set out in note 2 to the accounts.

20. ULTIMATE PARENT COMPANY

J Smart & Co (Contractors) PLC., registered in Scotland is regarded by the Directors as being the Company's ultimate Parent Company. Group accounts are available from the Parent Company's registered office at 28 Cramond Road South, Edinburgh, EH4 6AB.