

184813

**Scarborough Muir Group Limited
(formerly Teesmuir Limited)**

Report and Financial Statements

28 February 2003



Registered No: SC184813

Directors

K C McCabe
J L Burnley
C M Di Ciacca
R W Muir
J W Muir

Secretary

C M Di Ciacca
S McCabe

Auditors

Ernst & Young LLP
Cloth Hall Court
14 King Street
Leeds
LS1 2JN

Bankers

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

Registered office

93 George Street
Edinburgh
EH2 3ES

Solicitors

Shepherd & Wedderburn
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2ET

Directors' report

The directors present their report and financial statements of the company for the year ended 28 February 2003.

Principal activities

The principal activity of the company continued to be the development of land and property.

Change of name

On 10 October 2003, the company changed its name to Scarborough Muir Group Limited.

Review of business and future developments

Both the level of business for the year and financial position were as anticipated, and the directors expect the present level of activity will be sustained for the foreseeable future.

Results and dividends

The results for the year are set out in detail on page 5. The directors do not recommend the payment of a dividend (2002: nil).

Directors and their interests

The directors who served during the year are as detailed on page 1.

None of the directors who held office at the year-end had any interest in the share capital of the company.

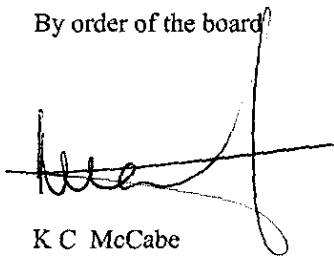
K C McCabe, J L Burnley and C M Di Ciacca are also directors of Scarborough Development Company Limited, which owns 50% of the share capital of the company and their interest is disclosed in the directors' report of that company.

R W Muir and J W Muir are also directors of J W Muir Group plc, which owns 50% of the share capital of the company and their interest is disclosed in the directors' report of that company.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board¹

A handwritten signature in black ink, appearing to be 'K C McCabe', written over a horizontal line.

K C McCabe
Director

19 December 2003

Statement of directors' responsibilities in respect of the financial statements

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. 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 confirm that the financial statements comply with the above requirements.

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 1985. 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.

Independent auditors' report

to the members of Scarborough Muir Group Limited (formerly Teesmuir Limited)

We have audited the company's financial statements for the year ended 28 February 2003 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 12. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

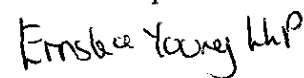
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 28 February 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Leeds

22 December 2003

Profit and loss account

for the year ended 28 February 2003

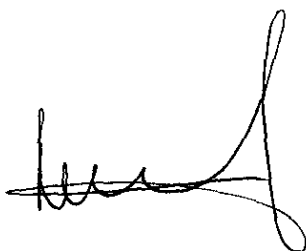
	<i>Note</i>	2003 £	2002 £
Turnover	2	177,223	135,304
Cost of sales		(242,192)	(144,187)
Gross loss		(64,969)	(8,883)
Administrative expenses		(38,392)	(9,979)
Operating loss	3	(103,361)	(18,862)
Interest payable and similar charges	4	(7,292)	(294)
Loss on ordinary activities before taxation		(110,653)	(19,156)
Tax on loss on ordinary activities	6	45,772	-
Loss for the year transferred from reserves		(64,881)	(19,156)

The company had no recognised gains and losses in 2003 or 2002 other than those shown in the profit and loss account and, therefore, a statement of total recognised gains and losses has not been presented.

Balance sheet

at 28 February 2003

	Note	2003 £	2002 £
Current assets			
Stocks	7	693,904	570,234
Debtors	8	65,972	145,193
		<u>759,876</u>	<u>715,427</u>
Creditors: amounts falling due within one year	9	(843,718)	(734,388)
Net liabilities		<u>(83,842)</u>	<u>(18,961)</u>
Capital and reserves			
Called up share capital	10	1,000	1,000
Profit and loss account	11	(84,842)	(19,961)
Equity shareholders' funds	11	<u>(83,842)</u>	<u>(18,961)</u>



K C McCabe
Director

19 December 2003

Notes to the financial statements

at 28 February 2003

1. Accounting policies

Going concern

The financial statements have been prepared on a going concern basis as the parent companies have agreed to assist the company to meet the company's liabilities as they fall due.

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Turnover

Turnover, stated net of value added tax, represents the amounts invoiced, excluding value added tax, in respect of amounts receivable from sales of site material and tipping facilities.

Stocks

Stocks, representing work in progress on property developments, are stated at the lower of cost, including an appropriate portion of finance charges, and net realisable value.

Expenditure capitalised

Interest, which can fairly be attributed to properties, held for, or in the course of, development is considered to be part of the cost. Interest is calculated by reference to specific borrowings where relevant and otherwise by reference to the average rate paid on funding the assets employed by the group.

Once a development becomes substantially let, interest is capitalised only on the unlet part of the property, but limited to a period of six months after practical completion.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, in the future, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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 the company is small.

Notes to the financial statements

at 28 February 2003

2. Turnover

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

Analysis of turnover is given below:

	2003 £	2002 £
Tipping income	177,223	135,304

3. Operating loss

Operating loss is stated after charging:

	2003 £	2002 £
Auditors' remuneration		
- audit services	1,000	2,000
- non-audit services	2,250	2,750

4. Interest payable and similar charges

	2003 £	2002 £
Bank overdraft	7,292	294

5. Employees

The average number of employees during the year was nil (2002: nil). None of the directors received any remuneration in the period.

6. Tax on loss on ordinary activities

(a) Tax on loss on ordinary activities

The tax credit is made up as follows:

	2003 £	2002 £
Current tax:		
UK corporation tax	33,196	-
Adjustments in respect of prior periods	12,576	-
Total current tax credit	45,772	-

Notes to the financial statements

at 28 February 2003

6. Tax on loss on ordinary activities (continued)

(b) Factors affecting current tax credit

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are reconciled below:

	2003 £	2002 £
Loss on ordinary activities before tax	110,653	19,156
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	33,196	5,747
Tax asset not recognised	-	(5,747)
Adjustments in respect of prior periods	12,576	-
Total current tax	45,772	-

(c) Factors that may affect future tax charges

There are no significant known factors that may affect future tax charges, other than the profit on ordinary activities before tax for the period.

7. Stocks and work in progress

	2003 £	2002 £
Development work in progress	693,904	570,234

Interest included in development work in progress amounts to £26,118 (2002: £26,118).

8. Debtors

	2003 £	2002 £
Trade debtors	32,481	63,254
Amounts owed by associated undertakings	934	-
Other taxation and social security	8,817	4,719
Other debtors	23,740	77,220
	65,972	145,193

Notes to the financial statements

at 28 February 2003

9. Creditors: amounts falling due within than one year

	2003	2002
	£	£
Bank loans and overdrafts	243,181	175
Trade creditors	58,723	49,767
Amounts owed to associated undertakings	103	-
Amounts owed to joint holding companies	502,310	548,082
Accruals and deferred income	39,401	136,634
	<u>843,718</u>	<u>734,388</u>

The bank loan and overdrafts are secured by way of charges over the company's property assets.

10. Called up share capital

	2003	2002
	£	£
<i>Authorised</i>		
Ordinary A shares of £1 each	500	500
Ordinary B shares of £1 each	500	500
	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary A shares of £1 each	500	500
Ordinary B shares of £1 each	500	500
	<u>1,000</u>	<u>1,000</u>

The 'A' and 'B' ordinary shares rank pari passu in all respects.

11. Reconciliation of movements on equity shareholders' funds

	Share capital	Profit and account	Total share-holders' funds
	£	£	£
At 28 February 2001	1,000	(805)	195
Loss for the year	-	(19,156)	(19,156)
	<u>1,000</u>	<u>(19,961)</u>	<u>(18,961)</u>
At 28 February 2002	1,000	(19,961)	(18,961)
Loss for the year	-	(64,881)	(64,881)
	<u>1,000</u>	<u>(84,842)</u>	<u>(83,842)</u>
At 28 February 2003	1,000	(84,842)	(83,842)

Notes to the financial statements

at 28 February 2003

12. Related and controlling parties

The company is jointly owned and controlled by Scarborough Development Company Limited (50%) and J W Muir Group plc (50%).

The company has received interest free loans from its joint holding companies with no fixed date for repayment. The amount of loans outstanding at 28 February 2003 was £548,082 (2002: £548,082).

K C McCabe is a director of companies that charged administrative and project management fees of £10,000 (2002: £5,875) and £22,000 (2002: £nil) respectively to the company during the year. At the year end £5,000 (2002: £nil) was outstanding.

R W Muir and J W Muir are directors of a company that charged operational costs of £201,297 (2002: £129,364) to the company during the year. At the year end £63,643 (2002: £nil) was outstanding.