

Registration number: SC184813

Scarborough Muir Group Limited

Directors' Report and Financial Statements

for the Year Ended 28 February 2011

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Scarborough Muir Group Limited
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Scarborough Muir Group Limited
Company Information

Directors	J L Burnley C M Di Ciacca J W Muir R W Muir
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 Muir Group Limited
Directors' Report for the Year Ended 28 February 2011

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

Directors' responsibilities

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

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

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

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

Statement of disclosure to auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

Principal activity

The principal activity of the company is the development of land and property.

Directors

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

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

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

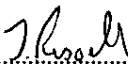
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Auditors

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

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

Approved by the Board on 4 January 2012 and signed on its behalf by:


.....

J F Russell

for and on behalf of Esplanade Secretarial Services Limited
Company secretary

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

We have audited the financial statements of Scarborough Muir Group Limited for the year ended 28 February 2011, set out on pages 6 to 17, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements:

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

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures in note 1, under the heading Going Concern. The recent fall in property values has resulted in the company not meeting its financial covenants contained within its bank facilities with Bank of Scotland, now part of Lloyds Banking Group. Consequently, at the date of approval of these financial statements, the company's existing bank facilities are repayable on demand. 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.

The facilities are currently being renegotiated and the directors believe that their discussions will lead to a satisfactory conclusion. Consequently, these financial statements have been prepared on a going concern basis. 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 Muir Group 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

Date: 17/1/2012

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

	Note	2011 £	2010 £
Turnover	2	618,758	1,414,625
Cost of sales	3	<u>(4,556,425)</u>	<u>(1,282,826)</u>
Gross (loss)/profit		(3,937,667)	131,799
Administrative expenses	4	<u>(745,984)</u>	<u>(61,923)</u>
Operating (loss)/profit	5	(4,683,651)	69,876
Interest receivable and similar income		1	31
Interest payable and similar charges	8	<u>(432,396)</u>	<u>(435,793)</u>
Loss on ordinary activities before taxation		(5,116,046)	(365,886)
Tax on loss on ordinary activities	9	<u>8,259</u>	<u>96,525</u>
Loss for the financial year	16	<u><u>(5,107,787)</u></u>	<u><u>(269,361)</u></u>

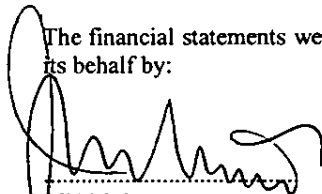
Turnover and operating profit/(loss) derive wholly from continuing operations.

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

Scarborough Muir Group Limited
(Registration number: SC184813)
Balance Sheet at 28 February 2011

	Note	2011 £	2010 £
Fixed assets			
Tangible fixed assets	10	-	496
Investments	11	<u>1</u>	<u>1</u>
		<u>1</u>	<u>497</u>
Current assets			
Stock	12	5,648,000	9,249,021
Debtors	13	<u>726,222</u>	<u>1,632,399</u>
		6,374,222	10,881,420
Creditors: Amounts falling due within one year	14	<u>(13,554,920)</u>	<u>(12,954,827)</u>
Net current liabilities		<u>(7,180,698)</u>	<u>(2,073,407)</u>
Net liabilities		<u>(7,180,697)</u>	<u>(2,072,910)</u>
Capital and reserves			
Called up share capital	15	1,111	1,111
Profit and loss account	16	<u>(7,181,808)</u>	<u>(2,074,021)</u>
	17	<u>(7,180,697)</u>	<u>(2,072,910)</u>

The financial statements were approved and authorised for issue by the Board on 4 January 2012 and signed on its behalf by:


W Muir
Director

Scarborough Muir Group Limited

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

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and the accounting policies set out below, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

Going concern

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.

The recent fall in property values has resulted in the company not meeting its financial covenants contained within its bank facilities with Bank of Scotland, now part of Lloyds Banking Group. Consequently, at the date of approval of these financial statements, the company's existing bank facilities are repayable on demand and therefore there is a material uncertainty in relation to the company's 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 company will continue to have sufficient funding for the foreseeable future to enable it to meet its 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.

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.

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Depreciation method and rate
Fixtures and fittings	33% straight line

1. The first part of the report is a general introduction to the project, which includes a brief history of the project and a description of the objectives.

2. The second part of the report is a detailed description of the project.

3. The third part of the report is a discussion of the results of the project, which includes a comparison of the results with the objectives and a discussion of the implications of the results.

4. The fourth part of the report is a conclusion.

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7. The sixth part of the report is a list of appendices.

8. The seventh part of the report is a list of figures and tables.

9. The eighth part of the report is a list of footnotes.

Scarborough Muir Group Limited

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

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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:

	2011 £	2010 £
Rental income	103,219	116,009
Sale of properties	-	320,000
Other sales income	515,539	978,616
	<u>618,758</u>	<u>1,414,625</u>

3 Cost of sales

	2011 £	2010 £
Cost of sales excluding exceptional items	744,875	1,282,826
Exceptional property impairment	3,811,550	-
	<u>4,556,425</u>	<u>1,282,826</u>

4 Administrative expenses

	2011 £	2010 £
Administrative expenses excluding exceptional items	37,616	61,923
Provision against amounts due from group undertakings	708,368	-
	<u>745,984</u>	<u>61,923</u>

Scarborough Muir Group Limited

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

..... *continued*

5 Operating profit/(loss)

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

	2011 £	2010 £
Auditors' remuneration - audit services	3,500	4,500
Auditors' remuneration - non audit services	1,750	(400)
Depreciation of owned assets	<u>496</u>	<u>742</u>

The £400 credit for non audit services in 2010 relates to a prior year over accrual.

6 Particulars of employees

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

7 Directors' remuneration

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

8 Interest payable and similar charges

	2011 £	2010 £
Interest on bank borrowings	182,005	158,000
Interest payable to group undertakings	<u>250,391</u>	<u>277,793</u>
	<u>432,396</u>	<u>435,793</u>

Scarborough Muir Group Limited

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

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9 Taxation

Tax on loss on ordinary activities

	2011 £	2010 £
Current tax		
Corporation tax credit	-	(96,525)
Adjustments in respect of previous years	(8,259)	-
UK Corporation tax	(8,259)	(96,525)
Total tax on loss on ordinary activities	(8,259)	(96,525)

Factors affecting current tax charge for the year

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

	2011 £	2010 £
Loss on ordinary activities before taxation	(5,116,046)	(365,886)
Corporation tax at standard rate	(1,432,493)	(102,448)
Depreciation in excess of capital allowances	139	208
Disallowable expenditure	133	364
Prior year adjustment	(8,259)	-
Provision against amounts due from group undertakings	198,343	-
Losses carried forward	1,329,023	117,977
Transfer pricing adjustment	3,360	3,360
Expenditure on which enhanced relief is available	(98,505)	(115,986)
Total current tax	(8,259)	(96,525)

Scarborough Muir Group Limited

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

..... *continued*

10 Tangible fixed assets

	Fixtures and fittings £	Total £
Cost or valuation		
At 1 March 2010	<u>2,227</u>	<u>2,227</u>
Depreciation		
At 1 March 2010	1,731	1,731
Charge for the year	<u>496</u>	<u>496</u>
At 28 February 2011	<u>2,227</u>	<u>2,227</u>
Net book value		
At 28 February 2011	<u>-</u>	<u>-</u>
At 28 February 2010	<u>496</u>	<u>496</u>

Scarborough Muir Group Limited

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

..... *continued*

11 Investments held as fixed assets

	2011 £	2010 £
Shares in group undertakings and participating interests	<u>1</u>	<u>1</u>

Shares in group undertakings and participating interests

	Subsidiary undertakings £	Total £
Cost		
At 1 March 2010	<u>1</u>	<u>1</u>
At 28 February 2011	<u>1</u>	<u>1</u>
Net book value		
At 28 February 2011	<u>1</u>	<u>1</u>
At 28 February 2010	<u>1</u>	<u>1</u>

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			
SMG (Donibristle) Limited	Ordinary	100%	Property development

12 Stock

	2011 £	2010 £
Property held for resale	<u>5,648,000</u>	<u>9,249,021</u>

Scarborough Muir Group Limited

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

..... *continued*

13 Debtors

	2011 £	2010 £
Trade debtors	269,607	177,679
Amounts owed by group undertakings	347,631	1,073,864
Group relief receivable	96,525	295,714
Other debtors	1,500	-
Prepayments and accrued income	10,959	85,142
	<u>726,222</u>	<u>1,632,399</u>

14 Creditors: Amounts falling due within one year

	2011 £	2010 £
Bank loans and overdrafts	8,024,799	7,729,568
Trade creditors	182,293	85,034
Amounts owed to group undertakings	5,254,107	5,003,715
Other taxes and social security	8,854	37,834
Other creditors	2,044	1,334
Accruals and deferred income	82,823	97,342
	<u>13,554,920</u>	<u>12,954,827</u>

The bank loans and overdrafts are secured against the development property and property owned by the subsidiary company.

15 Share capital

Allotted, called up and fully paid shares

	2011		2010	
	No.	£	No.	£
'A' ordinary shares of £1 each	500	500	500	500
'B' ordinary shares of £1 each	611	611	611	611
	<u>1,111</u>	<u>1,111</u>	<u>1,111</u>	<u>1,111</u>

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

Scarborough Muir Group Limited

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

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16 Reserves

	Profit and loss account £	Total £
At 1 March 2010	(2,074,021)	(2,074,021)
Loss for the year	<u>(5,107,787)</u>	<u>(5,107,787)</u>
At 28 February 2011	<u>(7,181,808)</u>	<u>(7,181,808)</u>

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

	2011 £	2010 £
Loss attributable to the members of the company	<u>(5,107,787)</u>	<u>(269,361)</u>
Net reduction to shareholders' funds/(deficit)	<u>(5,107,787)</u>	<u>(269,361)</u>
Shareholders' deficit at 1 March	<u>(2,072,910)</u>	<u>(1,803,549)</u>
Shareholders' deficit at 28 February	<u>(7,180,697)</u>	<u>(2,072,910)</u>

18 Related party transactions

The company has received loans from the joint parent companies with no fixed date for repayment. The loans outstanding at 28 February 2011 were as follows:

a) Scarscot Holdings Limited: £2,889,331 (2010: £2,751,636) including interest charged on the loan during the year of £137,695 (2010: £152,764).

b) J W Muir Group plc: £2,364,776 (2010: £2,252,079) including interest charged on the loan during the year of £112,697 (2010: £125,030).

R W Muir and J W Muir are directors of a company that charged operational costs of £703,603 (2010: £828,468) to the company during the year. At the year end, £125,972 was outstanding (2010: £82,397).

The company was charged £10,000 for administrative fees by SPC Group Limited during the year (2010: £10,000). SPC Group Limited owns 90% of the share capital of Scarscot Holdings Limited. Of these fees £2,500 were outstanding at the year end (2010: £nil).

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.

Scarborough Muir Group Limited

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

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19 Controlling entity

The company's immediate joint parent companies are:

a) Scarscot Holdings Limited, a company registered in Scotland, which holds 55% of the issued share capital of the company.

b) J W Muir Group Limited, a company registered in Scotland which holds 45% of the issued share capital of the company.

In the opinion of the directors the company is jointly controlled by both companies under a joint venture agreement.