

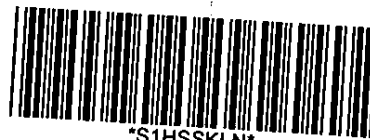
Registration number: SC184813

Scarborough Muir Group Limited

Directors' Report and Financial Statements

for the Year Ended 29 February 2012

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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 29 February 2012

The directors present their report and the financial statements for the year ended 29 February 2012.

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 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 29 February 2012

..... continued

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 31 August 2012 and signed on its behalf by:


.....

J J Tutton

for and on behalf of Esplanade Secretarial Services Limited
Company secretary

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

We have audited the financial statements of Scarborough Muir Group Limited for the year ended 29 February 2012, set out on pages 6 to 16, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and 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 29 February 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - 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 to the financial statements, concerning the company's ability to continue as a going concern. At 29 February 2012, the company's current liabilities exceeded its total assets by £2,127,428 and it had net current liabilities of £2,127,429. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that 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.

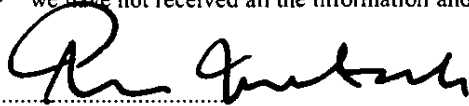
**Independent Auditor's Report to the Members of
Scarborough Muir Group Limited**

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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: 13/9/12

Scarborough Muir Group Limited
Profit and Loss Account for the Year Ended 29 February 2012

	Note	2012 £	2011 £
Turnover	2	688,257	618,758
Cost of sales	3	<u>(665,320)</u>	<u>(4,556,425)</u>
Gross profit/(loss)		22,937	(3,937,667)
Administrative expenses	4	<u>5,472,633</u>	<u>(745,984)</u>
Operating profit/(loss)	5	5,495,570	(4,683,651)
Interest receivable and similar income	8	-	1
Interest payable and similar charges	9	<u>(442,301)</u>	<u>(432,396)</u>
Profit/(loss) on ordinary activities before taxation		5,053,269	(5,116,046)
Tax on profit/(loss) on ordinary activities	10	<u>-</u>	<u>8,259</u>
Profit/(loss) for the financial year	17	<u><u>5,053,269</u></u>	<u><u>(5,107,787)</u></u>

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

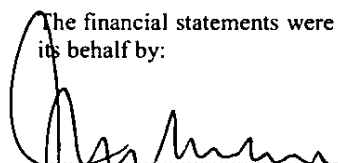
The company has no recognised gains or losses for the year other than the results above.

The notes on pages 8 to 16 form an integral part of these financial statements.

Scarborough Muir Group Limited
(Registration number: SC184813)
Balance Sheet at 29 February 2012

	Note	2012 £	2011 £
Fixed assets			
Investments	12	<u>1</u>	<u>1</u>
Current assets			
Stock	13	5,741,689	5,648,000
Debtors	14	<u>620,909</u>	<u>726,222</u>
		6,362,598	6,374,222
Creditors: Amounts falling due within one year	15	<u>(8,490,027)</u>	<u>(13,554,920)</u>
Net current liabilities		<u>(2,127,429)</u>	<u>(7,180,698)</u>
Net liabilities		<u>(2,127,428)</u>	<u>(7,180,697)</u>
Capital and reserves			
Called up share capital	16	1,111	1,111
Profit and loss account	17	<u>(2,128,539)</u>	<u>(7,181,808)</u>
	18	<u>(2,127,428)</u>	<u>(7,180,697)</u>

The financial statements were approved and authorised for issue by the Board on 31 August 2012 and signed on its behalf by:


J.W. Muir
Director

The notes on pages 8 to 16 form an integral part of these financial statements.

Scarborough Muir Group Limited

Notes to the Financial Statements for the Year Ended 29 February 2012

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

Scarborough Muir Group Limited

Notes to the Financial Statements for the Year Ended 29 February 2012

..... *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 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:

	2012 £	2011 £
Rental income	122,868	103,219
Other sales income	565,389	515,539
	<u>688,257</u>	<u>618,758</u>

3 Cost of sales

	2012 £	2011 £
Cost of sales excluding exceptional items	665,320	744,875
Exceptional property impairment	-	3,811,550
	<u>665,320</u>	<u>4,556,425</u>

4 Administrative expenses

	2012 £	2011 £
Administrative expenses excluding exceptional items	31,981	37,616
(Release)/provision against amounts due from group undertakings	(32,210)	708,368
Intercompany loan waiver	(5,472,404)	-
	<u>(5,472,633)</u>	<u>745,984</u>

Scarborough Muir Group Limited

Notes to the Financial Statements for the Year Ended 29 February 2012

..... *continued*

5 Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	2012 £	2011 £
Auditors' remuneration - audit services	3,700	3,500
Auditors' remuneration - non audit services	3,650	1,750
Depreciation of owned assets	<u>-</u>	<u>496</u>

6 Particulars of employees

The average number of employees (excluding directors) during the year was nil (2011: nil).

7 Directors' remuneration

No emoluments were paid to the directors during the year (2011: £nil).

8 Interest receivable and similar income

	2012 £	2011 £
Other interest receivable	<u>-</u>	<u>1</u>

9 Interest payable and similar charges

	2012 £	2011 £
Interest on bank borrowings	205,218	182,005
Interest payable to group undertakings	<u>237,083</u>	<u>250,391</u>
	<u>442,301</u>	<u>432,396</u>

Scarborough Muir Group Limited

Notes to the Financial Statements for the Year Ended 29 February 2012

..... *continued*

10 Taxation

Tax on profit/(loss) on ordinary activities

	2012	2011
	£	£
Current tax		
Adjustments in respect of previous years	-	(8,259)
Total tax on profit/(loss) on ordinary activities	-	(8,259)

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 26.17% (2011: 28%). The difference is explained below:

	2012	2011
	£	£
Profit/(loss) on ordinary activities before taxation	5,053,269	(5,116,046)
Corporation tax at standard rate	1,322,440	(1,432,493)
Depreciation in excess of capital allowances	-	139
Disallowable expenditure	7,836	133
Prior year adjustment	-	(8,259)
(Release)/provision against amounts due from group undertakings	(8,429)	198,343
Losses carried forward	179,541	1,329,023
Transfer pricing adjustment	3,140	3,360
Expenditure on which enhanced relief is available	(72,400)	(98,505)
Intercompany loan waiver	(1,432,128)	-
Total current tax	-	(8,259)

Scarborough Muir Group Limited

Notes to the Financial Statements for the Year Ended 29 February 2012

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11 Tangible fixed assets

	Fixtures and fittings £	Total £
Cost or valuation		
At 1 March 2011	<u>2,227</u>	<u>2,227</u>
At 29 February 2012	<u>2,227</u>	<u>2,227</u>
Depreciation		
At 1 March 2011	<u>2,227</u>	<u>2,227</u>
At 29 February 2012	<u>2,227</u>	<u>2,227</u>
Net book value		
At 29 February 2012	<u>-</u>	<u>-</u>
At 28 February 2011	<u>-</u>	<u>-</u>

Scarborough Muir Group Limited

Notes to the Financial Statements for the Year Ended 29 February 2012

..... *continued*

12 Investments held as fixed assets

	2012 £	2011 £
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 2011	<u>1</u>	<u>1</u>
At 29 February 2012	<u>1</u>	<u>1</u>
Net book value		
At 29 February 2012	<u>1</u>	<u>1</u>
At 28 February 2011	<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

Scarborough Muir Group Limited

Notes to the Financial Statements for the Year Ended 29 February 2012

..... *continued*

13 Stock

	2012	2011
	£	£
Property held for resale	<u>5,741,689</u>	<u>5,648,000</u>

The property held for resale was written down by £919,087 during the prior year, in accordance with an external valuation by Cushman & Wakefield (MRICS) carried out in June 2011.

14 Debtors

	2012	2011
	£	£
Trade debtors	116,596	269,607
Amounts owed by group undertakings	344,037	347,631
Amounts recoverable on long term contracts	-	96,525
Other debtors	1,500	1,500
Prepayments and accrued income	<u>158,776</u>	<u>10,959</u>
	<u>620,909</u>	<u>726,222</u>

15 Creditors: Amounts falling due within one year

	2012	2011
	£	£
Bank loans and overdrafts	7,952,361	8,024,799
Trade creditors	319,575	182,293
Amounts owed to group undertakings	18,785	5,254,107
Other taxes and social security	19,632	8,854
Other creditors	1,543	2,044
Accruals and deferred income	<u>178,131</u>	<u>82,823</u>
	<u>8,490,027</u>	<u>13,554,920</u>

The bank loans and overdrafts are secured by a standard security over fixed assets and a bond and floating charge over all the assets of the company and its subsidiary.

Scarborough Muir Group Limited

Notes to the Financial Statements for the Year Ended 29 February 2012

..... *continued*

16 Share capital

Allotted, called up and fully paid shares

	2012		2011	
	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.

17 Reserves

	Profit and loss account £	Total £
At 1 March 2011	(7,181,808)	(7,181,808)
Profit for the year	<u>5,053,269</u>	<u>5,053,269</u>
At 29 February 2012	<u>(2,128,539)</u>	<u>(2,128,539)</u>

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

	2012 £	2011 £
Profit/(loss) attributable to the members of the company	<u>5,053,269</u>	<u>(5,107,787)</u>
Net addition/(reduction) to shareholders' funds/(deficit)	5,053,269	(5,107,787)
Shareholders' deficit at 1 March	<u>(7,180,697)</u>	<u>(2,072,910)</u>
Shareholders' deficit at 29 February	<u>(2,127,428)</u>	<u>(7,180,697)</u>

Scarborough Muir Group Limited

Notes to the Financial Statements for the Year Ended 29 February 2012

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19 Related party transactions

Other related party transactions

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

J W Muir Group plc

(Joint venture partner)

Interest was charged on the loan based on the cost of borrowing. Interest payable during the year amounted to £106,706 (2011: £112,697). J W Muir Group plc waived £2,463,028 of the loan during the year. At the balance sheet date the amount due to J W Muir Group plc was £8,455 (2011: £2,364,776).

Muir Construction Limited

(R W Muir and J W Muir are directors of both companies)

Operational costs of £553,301 (2011: £703,603) were charged to the company during the year. At the balance sheet date the amount due to Muir Construction Limited was £280,482 (2011: £149,413).

Scarscot Holdings Limited

(Joint venture partner)

Interest was charged on the loan based on the cost of borrowing. Interest payable during the year amounted to £130,376 (2011: £137,695). Scarscot Holdings Limited waived £3,009,376 of the loan during the year. At the balance sheet date the amount due to Scarscot Holdings Limited was £10,331 (2011: £2,889,331).

SPC Group Limited

(J L Burnley and C M Di Ciacca are directors of both companies)

SPC Group Limited charged £10,000 for administrative fees during the year (2011: £10,000). A further amount of £24,000 (2011: £22,000) was charged for project management fees. At the balance sheet date the amount due to SPC Group Limited was £27,800 (2011: £7,800).

The company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" from disclosing transactions with other wholly owned members of the group.

20 Controlling entity

The company is controlled by the immediate joint parent companies: Scarscot Holdings Limited, a company registered in Scotland, which holds 55% of the issued share capital of the company; and J W Muir Group Limited, a company registered in Scotland which holds 45% of the issued share capital of the company.