

Registration number: SC184813

Scarborough Muir Group Limited

Annual Report and Financial Statements

for the Year Ended 28 February 2017



Scarborough Muir Group Limited

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Scarborough Muir Group Limited

Company Information

Directors	J W Muir
	R W Muir
	S C McCabe
	S A Marshall
Company secretary	Esplanade Secretarial Services Limited
Registered office	Lomond Court Castle Business Park Stirling FK9 4TU
Auditors	Mazars LLP Mazars House Gelderd Road Gildersome Leeds LS27 7JN

Scarborough Muir Group Limited

Directors' Report for the Year Ended 28 February 2017

The Directors present their report and the financial statements for the year ended 28 February 2017.

Directors of the Company

The directors who held office during the year were as follows:

J W Muir

R W Muir

W S McAlister (resigned 9 September 2016)

S C McCabe

S A Marshall (appointed 9 September 2016)

Going concern

The Directors' assessment of the going concern status of the company is detailed in note 2 of these financial statements.

Dividends

The directors recommend a final dividend payment of £nil to be made in respect of the financial year ended 28 February 2017.

Disclosure of information to the auditors

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 of which they know the auditors are unaware.

Reappointment of auditors

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

Small companies provision statement

This report has been prepared in accordance with the small companies regime under the Companies Act 2006.

Approved by the Board on 6 October 2017 and signed on its behalf by:


.....
J J Tutton

For and on behalf of Esplanade Secretarial Services Limited
Company secretary

Scarborough Muir Group Limited

Statement of 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;
- state whether applicable UK Accounting Standards has 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 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.

Scarborough Muir Group Limited

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 2017 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, 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 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 Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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 2017 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 2 to the financial statements concerning the company's ability to continue as a going concern. At 28 February 2017, the company's current liabilities exceeded its current assets by £827,390 (2016: £730,858) and it had net liabilities of £827,389 (2016: £730,857). These conditions, along with the other matters explained in note 2 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 any adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Scarborough Muir Group Limited

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' report and take advantage of the small companies' exemption from the requirement to prepare a Strategic report.



Richard Metcalfe (Senior Statutory Auditor)
For and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

Mazars House
Gelderd Road
Gildersome
Leeds
LS27 7JN

Date: 19/10/2017

Scarborough Muir Group Limited

Profit and Loss Account for the Year Ended 28 February 2017

	Note	2017 £	2016 £
Turnover	3	919,854	625,202
Cost of sales		<u>(716,177)</u>	<u>(532,937)</u>
Gross profit		203,677	92,265
Administrative expenses		<u>(167,926)</u>	<u>(154,650)</u>
Operating profit/(loss)	4	35,751	(62,385)
Other interest receivable and similar income	5	51,154	48,202
Interest payable and similar charges	6	<u>(183,437)</u>	<u>(207,266)</u>
Loss before tax		(96,532)	(221,449)
Taxation	8	<u>-</u>	<u>-</u>
Loss for the financial year		<u><u>(96,532)</u></u>	<u><u>(221,449)</u></u>

The above results were derived from continuing operations.

The notes on pages 10 to 18 form an integral part of these financial statements.

Scarborough Muir Group Limited

Statement of Comprehensive Income for the Year Ended 28 February 2017

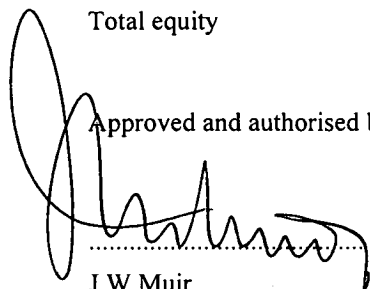
	Note	2017 £	2016 £
Loss for the year		<u>(96,532)</u>	<u>(221,449)</u>
Total comprehensive income for the year		<u><u>(96,532)</u></u>	<u><u>(221,449)</u></u>

The notes on pages 10 to 18 form an integral part of these financial statements.

Scarborough Muir Group Limited
(Registration number: SC184813)
Balance Sheet as at 28 February 2017

	Note	2017 £	2016 £
Fixed assets			
Investments	10	1	1
Current assets			
Stocks	11	5,603,636	5,442,252
Debtors	12	531,912	474,601
Cash at bank and in hand		<u>408,993</u>	<u>116,210</u>
		6,544,541	6,033,063
Creditors: Amounts falling due within one year	14	<u>(7,371,931)</u>	<u>(6,763,921)</u>
Net current liabilities		<u>(827,390)</u>	<u>(730,858)</u>
Net liabilities		<u>(827,389)</u>	<u>(730,857)</u>
Capital and reserves			
Called up share capital	15	2,071,111	2,071,111
Profit and loss account		<u>(2,898,500)</u>	<u>(2,801,968)</u>
Total equity		<u>(827,389)</u>	<u>(730,857)</u>

Approved and authorised by the Board on 6 October 2017 and signed on its behalf by:



J W Muir
Director

Scarborough Muir Group Limited

Statement of Changes in Equity for the Year Ended 28 February 2017

	Share capital £	Profit and loss account £	Total £
At 1 March 2016	2,071,111	(2,801,968)	(730,857)
Loss for the year	-	(96,532)	(96,532)
Total comprehensive income	-	(96,532)	(96,532)
At 28 February 2017	2,071,111	(2,898,500)	(827,389)
	Share capital £	Profit and loss account £	Total £
At 1 March 2015	2,071,111	(2,580,519)	(509,408)
Loss for the year	-	(221,449)	(221,449)
Total comprehensive income	-	(221,449)	(221,449)
At 29 February 2016	2,071,111	(2,801,968)	(730,857)

The notes on pages 10 to 18 form an integral part of these financial statements.

Scarborough Muir Group Limited

Notes to the Financial Statements for the Year Ended 28 February 2017

1 General information

The company is a private company limited by share capital incorporated in Scotland.

The principal activity of the company is property development.

The address of its registered office is:

Lomond Court
Castle Business Park
Stirling
FK9 4TU

The principal place of business is:

Ground Floor RHS
Building 3150
Century Way
Thorpe Park
Leeds
LS15 8ZB

These financial statements were authorised for issue by the Board on 6 October 2017.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Summary of disclosure exemptions

The company has taken advantage of the exemption, under FRS102 paragraph 1.12(b) from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Scarborough Group International Limited, includes the company's cash flows in its own consolidated financial statements.

The company has taken advantage of the exemption under FRS 102 paragraph 1.12(c) from disclosing the carrying value of financial instruments not measured at fair value on the basis that it is a qualifying entity and its ultimate parent company, Scarborough Group International Limited, discloses the carrying value of financial instruments in its own consolidated financial statements.

Critical accounting estimates and assumptions

Stock provisioning

The value of the company's property assets is affected by market conditions. During the preparation of these financial statements, key management have given consideration to the carrying value of trading properties and development sites to determine if any stock provision is required. When making this judgement, key management have referred to a mixture of independent, external property valuation reports and internally prepared development appraisals.

Scarborough Muir Group Limited

Notes to the Financial Statements for the Year Ended 28 February 2017

2 Accounting policies (continued)

Group accounts not prepared

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.

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.

Although the company had net current liabilities of £827,390 (2016: £730,858) at the year end, the directors consider it appropriate to prepare the financial statements on a going concern basis as they are confident that the company will continue to have sufficient funding for the foreseeable future to enable it to meet its liabilities as they fall due.

Since the year end the company's bank facility with Lloyds has been renewed at £4,870,000 and extended until 31 December 2017.

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.

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Tangible assets

Tangible assets is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost, 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

Fixed asset investments

Fixed asset investments are stated at historical cost less provision for any diminution in value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Scarborough Muir Group Limited

Notes to the Financial Statements for the Year Ended 28 February 2017

2 Accounting policies (continued)

Trade debtors

Trade debtors are amounts due from customers for rent or services performed in the ordinary course of business.

Trade, related party and group debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade, related party or group debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Properties held for resale are stated at the lower of cost and net realisable value. Cost is based on the acquisition cost plus professional fees incurred during the acquisition process. Net realisable value is based on estimated selling price after taking into account all further costs expected to be incurred on disposals. Borrowing costs are not capitalised.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

3 Turnover

The analysis of the company's revenue for the year from continuing operations is as follows:

	2017 £	2016 £
Rental income	336,229	307,465
Other sales income	583,625	317,737
	<u>919,854</u>	<u>625,202</u>

The Company's rental income is derived from operating leases that are in place with tenants who occupy the portfolio of properties that are held for resale. The Company has the following future minimum lease payments receivable under non-cancellable operating leases expiring for each of the following periods:

	2017 £	2016 £
Within 1 year	218,809	218,809
Between 1 and 5 years	518,700	669,868
After 5 years	315,228	382,868
	<u>1,052,737</u>	<u>1,271,545</u>

Scarborough Muir Group Limited

Notes to the Financial Statements for the Year Ended 28 February 2017

3 Turnover (continued)

The Company's operating leases typically require the tenants to be responsible for paying for repairing and insuring the property and include clauses allowing for rent reviews at certain points during the lease. The leases do not contain contingent rents.

4 Operating profit

Arrived at after charging

	2017 £	2016 £
Auditors' remuneration - audit services	3,000	3,000
Auditors' remuneration - non audit services	1,750	1,750
	<u> </u>	<u> </u>

5 Other interest receivable and similar income

	Note	2017 £	2016 £
Interest receivable from group undertakings	18	50,842	47,483
Interest income on bank deposits		312	719
		<u>51,154</u>	<u>48,202</u>

6 Interest payable and similar charges

	Note	2017 £	2016 £
Interest on bank overdrafts and borrowings		127,090	163,037
Interest payable to related parties	18	56,347	44,229
		<u>183,437</u>	<u>207,266</u>

7 Staff costs

The average number of employees (excluding directors) during the year was nil (2016: nil).

No emoluments were paid to directors during the year (2016: nil).

Scarborough Muir Group Limited

Notes to the Financial Statements for the Year Ended 28 February 2017

8 Taxation

Tax charged/(credited) in the income statement

	2017 £	2016 £
UK corporation tax	-	-

The tax on profit before tax for the year is different from the standard rate of corporation tax in the UK of 20% (2016 - 20.08%).

The differences are reconciled below:

	2017 £	2016 £
Loss before tax	(96,532)	(221,449)
Corporation tax at standard rate	(19,306)	(44,467)
Effect of expense not deductible in determining taxable profit (tax loss)	1,083	547
Tax increase (decrease) from effect of unrelieved tax losses carried forward	80,333	69,191
Increase (decrease) from effect of tax incentives	(69,460)	-
Tax increase (decrease) from effect of capital allowances and depreciation	(184)	(40)
Tax increase (decrease) from transfer pricing adjustments	-	2,409
Other tax effects for reconciliation between accounting profit and tax expense (income)	7,534	(27,640)
Total tax charge/(credit)	-	-

9 Tangible assets

	Furniture, fittings and equipment £	Total £
Cost or valuation		
At 1 March 2016	2,227	2,227
At 28 February 2017	2,227	2,227
Depreciation		
At 1 March 2016	2,227	2,227
At 28 February 2017	2,227	2,227
Carrying amount		
At 28 February 2017	-	-
At 29 February 2016	-	-

Scarborough Muir Group Limited

Notes to the Financial Statements for the Year Ended 28 February 2017

10 Investments in subsidiaries, joint ventures and associates

	2017 £	2016 £
Investments in subsidiaries	1	1
Subsidiaries		£
Cost or valuation		
At 1 March 2016		1
Carrying amount		
At 28 February 2017		1
At 29 February 2016		1

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	Country of incorporation	Holding	Proportion of voting rights and shares held	
			2017	2016
Subsidiary undertakings				
SMG (Donibristle) Limited	England and Wales	Ordinary	100%	100%

The principal activity of SMG (Donibristle) Limited is property development.

Scarborough Muir Group Limited

Notes to the Financial Statements for the Year Ended 28 February 2017

11 Stocks

	2017 £	2016 £
Property held for resale	<u>5,603,636</u>	<u>5,442,252</u>

12 Debtors

	Note	2017 £	2016 £
Trade debtors	18	149,132	101,123
Amounts owed by related parties	18	336,420	320,374
Other debtors		5,989	24,164
Prepayments		960	2,243
Accrued income		<u>39,411</u>	<u>26,697</u>
Total current trade and other debtors		<u>531,912</u>	<u>474,601</u>

13 Cash and cash equivalents

	2017 £	2016 £
Cash at bank	<u>408,993</u>	<u>116,210</u>

14 Creditors

	Note	2017 £	2016 £
Due within one year			
Loans and borrowings	16	4,870,000	5,220,000
Trade creditors	18	228,066	451,395
Amounts due to related parties	18	2,094,964	1,014,271
Social security and other taxes		8,202	27,830
Other creditors		3,753	2,700
Accrued expenses		<u>166,946</u>	<u>47,725</u>
		<u>7,371,931</u>	<u>6,763,921</u>

Scarborough Muir Group Limited

Notes to the Financial Statements for the Year Ended 28 February 2017

15 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No.	£	No.	£
'A' ordinary shares of £1 each	500	500	500	500
'B' ordinary shares of £1 each	611	611	611	611
'Deferred' shares of £1 each	<u>2,070,000</u>	<u>2,070,000</u>	<u>2,070,000</u>	<u>2,070,000</u>
	<u>2,071,111</u>	<u>2,071,111</u>	<u>2,071,111</u>	<u>2,071,111</u>

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

16 Loans and borrowings

	2017	2016
	£	£
Current loans and borrowings		
Bank borrowings	<u>4,870,000</u>	<u>5,220,000</u>

Since the year end, the bank loan falls due for repayment on 31 December 2017. It is secured by a standard security over fixed assets and a bond and floating charge over all the assets of the company.

17 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £Nil (2016: £Nil).

Scarborough Muir Group Limited

Notes to the Financial Statements for the Year Ended 28 February 2017

18 Related party transactions

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

Muir Construction Limited

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

Operational costs of £587,480 (2016: £518,307) were charged to the company during the year. At the balance sheet date the amount due to Muir Construction Limited included in trade creditors was £143,419 (2016: £399,620).

The company charged £114,616 (2016: £113,497) in respect of the sale of construction materials. At the balance sheet date the amount due from Muir Construction Limited included in trade debtors was £19,424 (2016: £27,100).

Scarborough Management Limited

(A company under the same control as one of the company's shareholders and in which S C McCabe is a director)

Scarborough Management Limited charged £10,000 (2016: £10,000) for administrative fees during the year. A further amount of £24,000 (2016: £24,000) was charged for project management fees. At the balance sheet date the amount due to Scarborough Management Limited included in trade debtors was £76,200 (2016: £34,800).

Scarscot Holdings Limited

(Shareholder and a company in which S C McCabe is a director)

During the year loan interest of £28,775 (2016: £21,910) was charged to the company. At the balance sheet date the amount due to Scarscot Holdings Limited was £1,103,756 (2016: £507,482).

Scarborough Hermiston Limited

(A company under the same control and with the same directors)

During the year loan interest of £3,350 (2016: £3,010) was charged to the company. At the balance sheet date the amount due to Scarborough Hermiston Limited was £87,455 (2016: £69,715).

J W Muir Group plc

(Shareholder and a company in which R W Muir and J W Muir are directors)

During the year loan interest of £24,223 (2016: £18,871) was charged to the company. At the balance sheet date the amount due to J W Muir Group plc was £903,753 (2016: £437,075).

The company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

19 Parent and ultimate parent undertaking

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.

The ultimate parent company is Scarborough Group International Limited, a company registered in Scotland. Scarborough Group International Limited is also the parent undertaking of the largest and smallest group for which accounts are drawn up and of which the company is a member. Copies of the accounts of Scarborough Group International Limited can be obtained from: Lomond Court, Castle Business Park, Stirling, FK9 4TU.

The ultimate controlling party is K C McCabe.