Muir Holdings plc

Directors' report and consolidated financial statements

Registered number SC 242454

31 January 2010

Contents

Directors and advisers

Directors	JW Muir C Muir RW Muir AC Muir IM Muir JSH Watt
Secretary	JSH Watt
Auditors	KPMG LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EG
Solicitors	Davidson Chalmers, WS 12 Hope Street Edinburgh EH2 4DB
Registered office	Muir House Belleknowes Industrial Estate Inverkeithing Fife KY11 1HY

Directors' report

The directors submit their report and audited accounts for the year ended 31 January 2010.

Principal activities and business review

The group's principal activities comprise property investment and managing an investment portfolio. The group will continue with these activities for the foreseeable future.

The financial results for the year are set out in the financial statements and show the profit for the year was £1,287,000 *(2009: £718,000)*.

Dividends

The directors do not recommend payment of a final dividend for the year, no interim dividend was paid during the year (*2009 – £nil*)

Directors

The directors who held office during the year are shown on page 1.

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK 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 group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

Policy and practice on payment of creditors

The group's policy, in relation to all of its suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The group does not follow any code or standard on payment practice but it is the group's policy to pay all of its suppliers within 45 days of the end of the month in which it receives the goods or services.

Directors' report (*continued*)

Purchases made by the company itself are, with very few exceptions, made from subsidiaries and do not, therefore, involve taking credit from external suppliers.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

JSH Watt
Secretary

Muir House
Belleknowes Industrial Estate
Inverkeithing
Fife
KY11 1HY

11 June 2010

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
United Kingdom

Independent auditors' report to the members of Muir Holdings plc

We have audited the financial statements of Muir Holdings plc for the year ended 31 January 2010 set out on pages 5 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 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 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 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

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/UKNP**.**

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 January 2010 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

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.

L Bennett

L Bennett (Senior Statutory Auditor) 2010
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Consolidated profit and loss account

for the year ended 31 January 2010

	Note	**2010** **£000**	2009 £000
Turnover	*1*	**2,358**	2,347
Cost of sales		**(382)**	(409)
Gross profit		**1,976**	1,938
Dividend income on current asset investments		**26**	29
Loss on sale of current asset investments		**(36)**	(39)
Amounts written back/(provided against) current asset investments		**103**	(175)
		2,069	1,753
Administrative expenses		**(172)**	(194)
Other operating income		**170**	182
Operating profit		**2,067**	1,741
Interest receivable and similar income	*5*	**15**	83
Interest payable and similar charges	*6*	**(327)**	(775)
Profit on ordinary activities before tax	*2*	**1,755**	1,049
Tax on profit on ordinary activities	*7*	**(468)**	(331)
Profit for the financial year	*17*	**1,287**	718

Consolidated statement of total recognised gains and losses

for the year ended 31 January 2010

	2010 **£000**	2009 £000
Profit for the financial year	**1,287**	718
Unrealised deficit on revaluation of investment properties	**(4,136)**	-
Total recognised gains and losses relating to the financial year	**(2,849)**	718

Group balance sheet
at 31 January 2010

	Note	**2010**	2009
		£000	£000
Fixed assets			
Tangible assets	*8*	**4**	9
Investment properties	*9*	**30,750**	34,886
Total fixed assets		**30,754**	34,895
Current assets			
Investments	*11*	**970**	867
Debtors	*12*	**175**	128
Cash at bank and in hand		**1,432**	1,356
		2,577	2,351
Creditors: amounts falling due within one year	*13*	**(1,475)**	(1,292)
Net current assets		**1,102**	1,059
Total assets less current liabilities		**31,856**	35,954
Creditors: amounts falling due after more than one year	*14*	**(14,703)**	(15,967)
Provisions for liabilities and charges	*15*	**(16)**	(1)
Net assets		**17,137**	19,986
Capital and reserves			
Called up share capital	*16*	**50**	50
Merger reserve	*17*	**(50)**	(50)
Revaluation reserve	*17*	**12,639**	16,775
Profit and loss account	*17*	**4,498**	3,211
Shareholders' funds	*18*	**17,137**	19,986

These financial statements were approved by the board of directors on 11 June 2010 and are signed on its behalf by:

JW Muir
Director

JSH Watt
Director

Company balance sheet
at 31 January 2010

	Note	**2010**	2009
		£000	£000
Fixed assets			
Investments	*10*	**50**	50
Net assets		**50**	50
Capital and reserves			
Called up share capital	*16*	**50**	50
Profit and loss account	*17*	**-**	-
Shareholders' funds	*18*	**50**	50

These financial statements were approved by the board of directors on 11 June 2010 and are signed on its behalf by:

JW Muir
Director

JSH Watt
Director

Notes

(*forming part of the financial statements*)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with the items which are considered material in relation to the financial statements.

Basis of preparation

The accounts have been prepared under the historical cost accounting rules, modified to include the revaluation of investment properties, and in accordance with applicable accounting standards.

Under Financial Reporting Standard 1 the group is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Going concern

The directors have prepared cash flow forecasts for the group for the period for at least twelve months from the date of signing these accounts. These cash flow forecasts show that the group and the company can operate within their available funds for the foreseeable future.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 January 2010.

In accordance with section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

Investment properties

In accordance with Statement of Standard Accounting Practice No. 19 investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve. Permanent reductions in value are written off to profit and loss account. No depreciation or amortisation is provided in respect of these properties, nor could it be reasonably quantified.

This treatment of investment properties is a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, because these properties are held for investment, the directors consider that annual depreciation would be inappropriate and that the accounting policy adopted is therefore necessary for the accounts to give a true and fair view.

Tangible fixed assets and depreciation

Tangible assets are depreciated on a straight line basis at the undernoted rates in order to write off their cost or valuation less estimated residual values over their expected useful lives:

Plant and equipment	4-8 years

Turnover

Turnover represents rental income receivable on investment properties.

Investments

Current asset investments are stated at the lower of cost and market value. Fixed assets are stated at cost less provision for permanent impairment.

Pensions

A subsidiary company participates in a group pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit for the year and takes account of taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 Profit on ordinary activities before taxation

		2010	2009
		£000	£000
Profit on ordinary activities before taxation is stated after charging:			
Auditors' remuneration	- audit of these financial statements	**1**	1
	- audit of financial statements of subsidiaries pursuant to legislation	**3**	3
	- other services relating to taxation	**1**	1
Depreciation		**5**	5

3 Staff costs

	2010	2009
	No	No
Average number of employees (excluding directors)	**1**	1
	£000	£000
Wages and salaries	**55**	60
Social security costs	**7**	8
Pension cost – defined contribution scheme	**7**	7
	69	75

The company is a member of a group pension scheme, which provides benefits on a final pensionable pay. Because the company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis, as permitted by FRS 17 "Retirement Benefits", the scheme has been accounted for in these financial statements as if it was a defined contributions scheme. Overall there is a deficit on the group's scheme of £1,078,000 *(2009: £1,400,000)*.

The latest full actuarial valuation of the scheme was carried out on 1 May 2008 and updated for FRS 17 purposes at 31 January 2010 and 1 February 2009 by a qualified independent actuary. The contribution for the year was £324,000 *(2009: £290,000)*. The current employer contribution rate for the scheme is £324,000 per annum.

4 Directors' remuneration

No directors' emoluments were paid during the year (*2009: £nil*).

Notes *(continued)*

5 Interest receivable

	2010	2009
	£000	£000
Bank interest receivable	**11**	70
Interest from related party	**2**	-
Other interest	**2**	13
	15	83

6 Interest payable and similar charges

	2010	2009
	£000	£000
Interest payable on bank loans and overdraft	**317**	775
Interest payable to related party	**10**	-
	327	775

7 Tax on profit on ordinary activities

	2010	2009
	£000	£000
UK corporation tax		
Current tax on income for the period	**451**	313
Adjustment in respect of prior periods	**2**	(4)
Total current tax	**453**	309
Deferred tax:		
Origination and reversal of timing differences	**15**	20
Adjustments in respect of prior periods	**-**	2
Tax on profit on ordinary activities	**468**	331

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (*2009: higher*) than the standard rate of corporation tax in the UK of 28% (*2009: 28.3%*). The differences are explained below.

	2010	2009
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	**1,755**	1,049
Current tax at 28% (*2009: 28.3%*)	**491**	297
Effects of:		
Industrial buildings allowance	**-**	(9)
Non taxable income	**(36)**	(8)
Expenses not deductible for tax purposes	**11**	54
Difference between capital allowances and depreciation charged	**(15)**	(20)
Short term timing differences	-	(4)
Marginal relief	-	3
Adjustment in respect of prior periods	**2**	(4)
Total current tax charge (see above)	**453**	309

Notes *(continued)*

8 Tangible fixed assets

Group

	Plant and equipment £000
Cost	
At beginning and end of year	37
Depreciation	
At beginning of year	28
Charge for year	5
At end of year	33
Net book value	
At end of year	**4**
At beginning of year	9

9 Fixed asset investment properties

	Group £000
Cost or valuation	
At beginning of year	34,886
Deficit on revaluation	(4,136)
At end of year	30,750
Net book value	
At end of year	**30,750**
At beginning of year	34,886

Investment properties with a value of £30,750,000 were valued as at 31 January 2010 on an open market value basis by Hardies, Chartered Surveyors, Dunfermline. These valuations were carried out in accordance with the Practice Statements published by the Royal Institution of Chartered Surveyors.

The historic cost of investment properties amounted to £18,111,000 (*2009: £18,111,000*).

Notes *(continued)*

10 Fixed asset investments

Company

	Shares in subsidiary undertakings £000
Cost	
At beginning and end of year	**50**

The issued share capital of subsidiary undertakings, all of which are wholly owned and registered in Scotland, is in the form of ordinary shares. Details of trading subsidiary undertakings are as follows:

Subsidiary undertaking	Principal activity
JW Muir (Property Investments) Limited	Property investment
Muir Financial Investments Limited	Investment

11 Current asset investments

	Group	
	2010 £000	2009 £000
Cost	**970**	867

Listed investments have a current market value of £1,206,000 *(2009: £978,000)*.

12 Debtors

	Group	
	2010 £000	2009 £000
Trade debtors	**143**	74
Other debtors	**11**	32
Prepayments	**21**	22
	175	128

13 Creditors: amounts falling due within one year

	Group	
	2010 £000	2009 £000
Bank loan (secured)	**500**	500
Trade creditors	**27**	24
Amounts owed to related parties	**84**	243
Corporation tax	**603**	239
Other creditors	**195**	137
Accruals and deferred income	**66**	149
	1,475	1,292

Notes *(continued)*

14 Creditors: amounts falling due after more than one year

	Group	
	2010	2009
	£000	£000
Bank loan	**13,250**	14,375
Amounts owed to related undertakings	**1,453**	1,592
	14,703	15,967

The balance of £1,453,000 (*2009: £1,592,000*) which is outstanding at the year end relates to a loan from JW Muir Group Plc, a related company. The directors have received written confirmation that the amounts are not due for payment within a period of one year from the year end.

A bank loan of £15,000,000, with a two year payment holiday, is repayable in 32 quarterly instalments of £125,000 starting in January 2009. The outstanding balance of £11,000,000 is due to be repaid in January 2017. The interest on this loan is variable at 0.9% above base rate. The loan is secured over specific investment properties.

Loans are repayable as follows:	**2010**	2009
	£000	£000
In one year or less	**500**	500
Between one and two years	**500**	500
Between two and five years	**1,500**	1,500
In more than five years	**11,250**	12,375
	13,750	14,875

15 Deferred taxation

	Group
	£000
Accelerated capital allowances	
At beginning of year	1
Charge to profit and loss account	15
At end of year	**16**

16 Called up share capital

	2010	2009
	£000	£000
Authorised		
1,000,000 ordinary shares of £1 each	**1,000**	1,000
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	**50**	50

Notes *(continued)*

17 Reserves

Group	Merger reserve £000	Revaluation reserve £000	Profit and loss account £000
At beginning of year	(50)	16,775	3,211
Profit for the year	-	-	1,287
Deficit on revaluation of investment properties	-	(4,136)	-
At end of year	**(50)**	**12,639**	**4,498**

Company	Profit and loss account £000
At beginning and end of year	-

18 Reconciliation of movements in shareholders' funds

	Group		Company	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Profit for the financial year	**1,287**	718	**-**	-
Deficit on revaluation of investment properties	**(4,136)**	-	**-**	-
Net (reduction in)/addition to shareholders' funds	**(2,849)**	718	**-**	-
Opening shareholders' funds	**19,986**	19,268	**50**	50
Closing shareholders' funds	**17,137**	19,986	**50**	50

19 Related parties

During the year the group received services from Muir Construction Limited, a related company by virtue of its common shareholders, amounting to £183,000 (*2009: £251,000*). At the year end an amount of £53,000 (*2009: £206,000*) was outstanding and included within amounts due to related undertakings within creditors due within one year.

At the year end an amount of £1,478,000 *(2009: £1,629,000)* was owed to JW Muir Group plc, a related company by virtue of its common shareholders, and is included within amounts owed to related undertakings within creditors due greater than one year.