Muir Group plc

Directors' report and consolidated financial statements

Registered number SC215392

1 February 2009

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Directors and advisers

Directors	JW Muir C Muir RW Muir AC Muir IM Muir JSH Watt GA Urquhart
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 1 February 2009.

Principal activities and business review

During the year the group's principal activities comprised building contracting, private house building, property development, manufactured joinery and owning and operating a golf and country club.

The financial results for the Group show a profit after tax of £840,000 *(2008: £7,100,000).*

An interim dividend of £20,000 (2008 Nil) was paid in respect of the year ended 1 February 2009. The directors do not recommend payment of a final dividend for the year. *(2008: Nil).*

Operating performance and key performance indicators

Operating performance	**2009**	2008
	£000	£000
Turnover	**77,977**	93,070
Gross profit	**7,756**	18,615
Operating profit	**573**	9,216
Group profit before tax	**1,100**	10,359
Group profit after tax	**840**	7,100
Net assets	**64,067**	63,781

Key Performance Indicators		
Turnover growth - £000s	**(15,093)**	(2,778)
Private housing sales - £000s	**20,143**	36,667
Private housing sales – units	**119**	179
Average value per unit - £s	**169,000**	205,000
Contracting turnover - £000s	**53,294**	52,798
Property development turnover - £000s	**1,925**	1,007

Internal control

The Board is responsible for the group's system of internal control and for reviewing its effectiveness. The board further acknowledges its responsibility to establish, maintain and monitor a system of internal controls relating to operational, financial and compliance matters and risk management. The subsidiary boards also review these risks relating to their specific activities.

Principal risks and uncertainties

The key business risks affecting the group are:-

Contracting – the Group is susceptible to the market conditions driving new property demand. In the immediate past a stable economy and low interest rates have provided a platform to grow contracting turnover. In the current environment with the financial sector reducing exposure to lending on property, the market is anticipated to contract significantly and margins to be significantly reduced.

Private housing – the primary risk is the lack of availability of mortgages to prospective buyers. The collapse of the financial sector has caused a major reduction in volumes, with prices and margins significantly down. The group has, at present, an adequate supply of plots with planning and the strategy is to enhance this.

Directors' report *(continued)*

Property development – the risks inherent in development have increased with greater difficulty in accessing funding, higher funding costs, increased demands from planning authorities and increased competition for prime sites. To mitigate some of these the Group continues to invest in long-term land, maintains robust risk management processes and targets key personnel.

Key personnel – the group performance is at risk if it fails to retain or recruit key employees. The group has in place first class remuneration, benefits and incentive packages along with personal development and training plans.

Strategy and future developments

The over-riding objective is to deliver sustained growth in shareholder value through organic growth in all of the business areas, achieved alongside implementing best practice in health & safety, employee development, environmental improvement and creditor payment policies. A summary for the major businesses is as follows: -

Private housing – continue to acquire land to add to the existing land bank and to enhance the Muir brand through improved quality and customer service.

Contracting – increase the volume of contracts with partner clients and sub-contractors whilst retaining the competitive edge required for tendering.

Property development – increase the land bank to create a more steady flow of development opportunities spread across all the commercial sectors.

Directors' interests

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

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period.

In preparing these 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;
- 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 proper accounting records that 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 1985. They have a 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.

Directors' report *(continued)*

Employee involvement

The group has an active policy of communicating with its staff and keeping employees informed regarding its achievements and prospects. The directors are also committed to developing genuine and effective employee involvement in the group's activities.

Disabled persons

The group recognises its social and statutory duty to employ disabled persons and pursues a policy of providing, wherever possible, the same employment opportunities to disabled persons as to others.

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.

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

Political and charitable contributions

During the year the group made charitable donations of £41,000 *(2008: £18,000).*

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 company'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 company's auditors are aware of that information.

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

21 September 2009

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

Independent auditors' report to the members of Muir Group plc

We have audited the group and parent company financial statements of Muir Group plc for the year ended 1 February 2009 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 1 February 2009 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP 2009
Chartered Accountants
Registered Auditor

Group profit and loss account

for the year ended 1 February 2009

	Note	2009 £000	2008 £000
Turnover – group and share of joint ventures	*2*	**77,977**	93,070
Less: Share of joint ventures' turnover		**(1,627)**	(637)
Turnover - continuing activities		**76,350**	92,433
Cost of sales - normal		**(63,247)**	(73,818)
- exceptional		**(5,347)**	-
Gross profit		**7,756**	18,615
Administrative expenses		**(7,297)**	(9,737)
Other operating income		**276**	282
Operating profit - continuing operations		**735**	9,160
Share of operating (loss)/profit in joint venture		**(162)**	56
Total operating profit		**573**	9,216
Interest receivable	*6*	**953**	1,488
Other finance income	*7*	**32**	15
Interest payable and similar charges	*8*	**(458)**	(360)
Profit on ordinary activities before tax	*3*	**1,100**	10,359
Tax on profit on ordinary activities	*9*	**(260)**	(3,259)
Profit for the financial year	*20*	**840**	7,100

Consolidated statement of total recognised gains and losses

for the year ended 1 February 2009

	Note	2009 £000	2008 £000
Profit for the financial year		**840**	7,100
Actuarial (loss)/gain recognised in the pension scheme	*22*	**(713)**	89
Deferred tax arising on loss in the pension scheme		**179**	(27)
Total gains and loss recognised since last annual report		**306**	7,162

Group balance sheet
at 1 February 2009

	Note	2009 £000	2008 £000
Fixed assets			
Tangible assets	11	**4,667**	4,155
		4,667	4,155
Investment in joint ventures:			
Loan to joint ventures		**6,373**	4,872
Share of gross assets		**17,453**	12,566
Share of gross liabilities		**(18,201)**	(12,997)
	12	**5,625**	4,441
Other investments	13	**253**	253
Total fixed assets		**10,545**	8,849
Current assets			
Stocks and work in progress	14	**51,267**	47,326
Debtors: due greater than one year	16	**103**	-
Debtors: due within one year	15	**11,821**	11,585
Cash at bank and in hand		**14,886**	21,779
		78,077	80,690
Creditors: amounts falling due within one year	17	**(23,077)**	(24,813)
Net current assets		**55,000**	55,877
Total assets less current liabilities		**65,545**	64,726
Provisions for liabilities and charges	18	**(470)**	(239)
Net assets excluding pension scheme liabilities		**65,075**	64,487
Pension liabilities	22	**(1,008)**	(706)
Net assets including pension liabilities		**64,067**	63,781
Capital and reserves			
Called up share capital	19	**50**	50
Merger reserve	20	**1,092**	1,092
Profit and loss account	20	**62,925**	62,639
Shareholders' funds	21	**64,067**	63,781

These financial statements were approved by the board of directors on 21 September 2009 and are signed on its behalf by:

JW Muir
Director

JSH Watt
Director

Company balance sheet
at 1 February 2009

	Note	**2009** **£000**	2008 £000
Fixed assets			
Investments	*12*	**50**	50
Net assets		**50**	50
Capital and reserves			
Called up share capital	*19*	**50**	50
Profit and loss account		**-**	-
Shareholders' funds		**50**	50

These financial statements were approved by the board of directors on 21 September 2009 and are signed on its behalf by:

JW Muir
Director

JSH Watt
Director

Group cash flow statement

for the year ended 1 February 2009

	Note	**2009** **£000**	2008 £000
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		**735**	9,160
Depreciation charges		**1,347**	1,526
Profit on sale of tangible assets		**(143)**	(242)
Net movement in pensions provision		**(290)**	(790)
Increase in provision against investments		**78**	-
Increase in stock and work in progress		**(3,941)**	(11,369)
(Increase)/decrease in debtors		**(190)**	934
Decrease in creditors		**(607)**	(1,782)
Net cash outflow from operating activities		**(3,011)**	(2,563)

Cash flow statement

	Note	2009 £000	2008 £000
Cash outflow from operating activities		**(3,011)**	(2,563)
Returns on investments and servicing of finance	*23*	**737**	1,357
Taxation		**(1,445)**	(1,990)
Capital expenditure and financial investment	*23*	**(3,154)**	(3,579)
Dividends paid on shares classified in shareholders' funds		**(20)**	-
Decrease in cash in the year		**(6,893)**	(6,775)

Reconciliation of net cash flow to movement in net funds

	Note	2009 £000	2008 £000
Decrease in cash in the year		**(6,893)**	(6,775)
Non cash movement	*24*	**-**	(253)
Movement in net funds in the year		**(6,893)**	(7,028)
Net funds at the start of the year		**21,779**	28,807
Net funds at the end of the year	*24*	**14,886**	21,779

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 company's financial statements.

The amendment to FRS 17 'Retirement benefits' has been adopted in these financial statements for the first time and the disclosures it requires have been presented for both the current and comparative period. The amendment to FRS 17 also requires that quoted securities are valued at their current bid-price rather than their mid-market value. The effect on the prior year was not material.

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 1 February 2009.

A joint venture is an undertaking in which the group has a long-term interest and over which it exercises joint control. The group's share of the profits less losses of joint ventures is included in the profit and loss account and its interests in their net assets are included in investments in the consolidated balance sheet.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

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:

Freehold buildings		25 years
Plant and equipment	- construction	4-6 years
	- joinery and leisure	8 years
Motor vehicles		3-5 years
Furniture and fittings	- office	3-5 years
	- leisure	4 years

Freehold land is not depreciated.

Turnover

Turnover represents the invoiced value of sales, rental income received and, in respect of long term contracts, work done.

In respect of the house building company, turnover represents house sales during the year. The point of sale is the date on which the purchaser takes possession of the house.

Where houses are sold with the use of shared equity, a loan is made available to the customer up to but not exceeding 25% of the sales value. This loan is repayable within 10 years of the house purchase. In recognising the initial sale of houses under shared equity, the company includes the fair value of the sale in turnover and the initial loan balance in debtors.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Notes *(continued)*

1 Accounting policies *(continued)*

Long term contracts *(continued)*

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments received on account.

Investments

Fixed asset investments are held at cost less provision for permanent impairment.

Stocks

Raw materials, consumables and sundry stores are valued at the lower of direct cost and net realisable value.

Manufactured joinery work in progress and finished goods are valued at the lower of direct cost, including a proportion of attributable overheads, and net realisable value.

Housing work in progress is valued at the lower of direct cost, including a proportion of the cost of site roads and drainage relative to the number of unsold plots, and net realisable value.

Sites held for housing and other commercial development are included under building land at the lower of cost and net realisable value.

In respect of property development, costs associated with each development site are carried forward in the balance sheet as stock at the lower of direct cost and net realisable value, less amounts transferred to cost of sales. The cost of unsuccessful projects is written off to profit and loss account when it becomes reasonably certain that development will not proceed.

Leasing

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pensions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

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.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

2 Segmental information

	2009	2008
	£000	£000
Turnover		
Private housing	**20,143**	36,667
Contracting	**53,294**	52,798
Property development and investment	**1,925**	1,007
Other	**2,615**	2,598
	77,977	93,070

All turnover is earned in the United Kingdom.

	2009	2008
Profit/(loss) on ordinary activities before tax		
Private housing	**(3,791)**	7,982
Contracting	**4,557**	3,583
Property development	**(961)**	(964)
Other	**1,295**	(242)
	1,100	10,359
Net assets		
Private housing	**17,151**	21,532
Contracting	**9,136**	5,970
Property development	**4,928**	3,869
Pension liabilities	**(1,008)**	(706)
Other	**33,860**	33,116
	64,067	63,781

Notes *(continued)*

3 Profit on ordinary activities before tax

	2009	2008
	£000	£000
Profit on ordinary activities before tax is stated after charging:		
Depreciation of tangible assets	**1,347**	1,526
Exceptional cost of sales – land and work in progress write downs	**5,347**	-
Hire of plant and machinery	**3,818**	3,821
Auditors' remuneration - audit of these financial statements	**5**	5
- audit of financial statements of subsidiaries	**42**	42
- other services relating to taxation	**17**	12
Gain on sale of fixed assets	**143**	242

4 Staff costs

	Group	
	2009	2008
	No	No
Average number of employees:		
Management and administration	**166**	166
Operations	**218**	231
	384	397
	£000	£000
Wages and salaries	**11,670**	14,399
Social security costs	**1,124**	1,466
Pension costs - defined benefit scheme	**290**	790
- defined contribution scheme	**374**	336
	13,458	16,991

The only employees of the company are the directors.

5 Directors' remuneration

	2009	2008
	£000	£000
Emoluments	**590**	3,249
Company contributions to defined contribution pension scheme	**33**	32
	623	3,281

The emoluments of the highest paid director were £138,000 *(2008:£827,000).* A payment of £17,000 (*2008: £nil*) was made to a defined contribution pension scheme on his behalf during the year and no benefits are accruing under a defined benefits pension scheme. Retirement benefits are accruing to the following number of directors under:

	Number of directors	
	2009	2008
Defined benefit scheme	**5**	5

Notes *(continued)*

6 Interest receivable

	2009 £000	2008 £000
Interest receivable on short term deposits	**818**	1,377
Interest receivable from joint venture	**130**	111
Joint ventures – bank interest	**5**	-
	953	1,488

7 Other finance expense

	2009 £000	2008 £000
Expected return on pension scheme assets	**481**	427
Interest on pension scheme liabilities	**(449)**	(412)
	32	15

8 Interest payable and similar charges

	2009 £000	2008 £000
Interest payable on bank loans and overdrafts	**81**	20
Joint ventures – bank loan interest	**377**	340
	458	360

9 Tax on profit on ordinary activities

	2009 £000	2008 £000
UK corporation tax:		
Current tax on income for the year	**188**	2,615
Adjustments in respect of prior years	**(21)**	(8)
Total current tax	**167**	2,607
Share of joint ventures' tax		
Current year	**(228)**	(138)
Deferred tax:		
Origination and reversal of timing differences	**217**	469
Pension service and finance cost in excess of contributions	**90**	241
Adjustment in respect of prior periods	**14**	80
Tax on profit on ordinary activities	**260**	3,259

Notes *(continued)*

9 Tax on profit on ordinary activities *(continued)*

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (*2008: lower*) than the standard rate of corporation tax in the UK of 28.3% (*2008: 30%*). The differences are explained below.

	2009	2008
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	**1,100**	10,359
Current tax at 28.3% (*2008: 30%*)	**311**	3,108
Effects of:		
Industrial buildings allowance	**(14)**	-
Expenses not deductible for tax purposes	**75**	66
Depreciation on assets not qualifying for capital allowances	**43**	69
Capital allowances less than/(in excess of) depreciation	**94**	(4)
Gain on disposal of fixed assets	**(41)**	-
Group relief surrendered	**19**	-
Special pension contribution	**(212)**	(225)
Deferred tax on defined benefit pension scheme movement	**(90)**	(241)
Other short term timing differences	**(158)**	(239)
Tax on joint ventures	**151**	81
Adjustment in respect of prior years	**(21)**	(8)
Marginal relief	**10**	-
Total current tax charge (see above)	**167**	2,607

10 Dividends

	2009	2008
	£000	£000
The aggregate amount of dividends comprises:		
Interim dividends paid in respect of the current year by Muir Group plc	**20**	-

Notes *(continued)*

11 Tangible fixed assets

Group

	Freehold land and buildings £000	Plant and equipment £000	Motor vehicles £000	Furniture and fittings £000	Assets under construction £000	Total £000
Cost						
At beginning of year	2,017	7,141	1,308	1,202	232	11,900
Additions	-	564	416	28	938	1,946
Transfer	1,170	-	-	-	(1,170)	-
Disposals	-	(287)	(387)	-	-	(674)
At end of year	3,187	7,418	1,337	1,230	-	13,172
Depreciation						
At beginning of year	1,602	4,359	823	961	-	7,745
Charge for year	117	938	190	102	-	1,347
Disposals	-	(254)	(333)	-	-	(587)
At end of year	1,719	5,043	680	1,063	-	8,505
Net book value						
At end of year	**1,468**	**2,375**	**657**	**167**	**-**	**4,667**
At beginning of year	415	2,782	485	241	232	4,155

Notes *(continued)*

12 Fixed asset investments

Group	Interest in joint ventures £000
Loans	
At beginning of year	4,949
Additional loans	1,438
Capitalised interest on loan	130
At end of year	6,517
Amounts provided against investments	
At beginning of year	(66)
Provided during the year	(78)
At end of year	(144)
Share of post acquisition reserves	
At beginning of year	(442)
Share of retained losses for the year	(306)
At end of year	(748)
Net book value	
At end of year	**5,625**
At beginning of year	4,441

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
Muir Construction Limited	Building contractor
Muir Homes Limited	Private housing
Muir Timber Systems Limited	Manufactured joinery
Hermiston Securities Limited	Property development
Muir Leisure Limited	Golf and country club
JW Muir Group Limited	Holding company

Notes *(continued)*

12 Fixed asset investments *(continued)*

In addition, the group held the following shareholdings in joint ventures:

Joint venture	% shareholding	Principal activity
Scarborough Muir Group Limited	45%	Property development
Envirofix Limited	50%	Development of patented sealed coatings for lead products
Stockland Muir Limited (formerly Halladale Muir Limited)	50%	Property development
Fairmuir Limited	50%	Property development
Deanway Muir Limited	50%	Property development

All of the above companies are registered in Scotland, with the exception of Fairmuir Limited which is registered in England.

13 Other investments

	Group 2009 £000	Group 2008 £000
Unlisted	**253**	253

14 Stocks and work in progress

	Group 2009 £000	Group 2008 £000
Raw materials, consumables and sundry stores	**344**	577
Work in progress - contracts	**72**	404
- housing and manufactured joinery	**17,180**	12,618
Finished goods	**11**	15
Sites held for development	**31,056**	31,391
Costs incurred on development sites	**2,604**	2,321
	51,267	47,326

15 Debtors

	Group 2009 £000	Group 2008 £000
Trade debtors	**4,713**	5,885
Amounts recoverable on contracts	**3,309**	2,794
Due from related company	**2,579**	1,693
Other debtors	**892**	987
Corporation tax recoverable	**149**	-
Prepayments	**179**	226
	11,821	11,585

Notes *(continued)*

16 Debtors: due after more than one year

	2009	2008
	£000	£000
Shared equity debtor	**103**	-

During the year, the company established a share equity scheme to assist prospective homeowners with their house purchase. The terms of the scheme are such that the company provides a 25% loan to the customer which is required to be repaid within 10 years of the house purchase. The loan to the customer is secured via a second ranking security over the property.

17 Creditors: amounts falling due within one year

	Group	
	2009	2008
	£000	£000
Trade creditors	**14,960**	15,894
Due to related party	**-**	1
Corporation tax	**-**	1,129
Other tax and social security	**510**	1,136
Other creditors	**1,581**	781
Accruals and deferred income	**6,026**	5,872
	23,077	24,813

18 Deferred taxation

	Group
	£000
Accelerated capital allowances	
At beginning of year	**(239)**
Adjustment in respect of prior periods	**(14)**
Charge to profit and loss account	**(217)**
At end of year	**(470)**

	Group	
	2009	2008
	£000	£000
Deferred tax comprises:		
Accelerated capital allowances	**(54)**	24
Other short term timing differences	**(416)**	(263)
	(470)	(239)

Notes *(continued)*

19 Called up share capital

	2009 £000	2008 £000
Group and company		
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

20 Reserves

Group	Merger Reserve £000	Profit and loss account £000
At beginning of year	1,092	62,639
Profit for the financial year	-	840
Dividend paid	-	(20)
Actuarial loss recognised in the pension scheme		(713)
Deferred tax arising on loss in the pension scheme	-	179
At end of year	**1,092**	**62,925**

	2009 £000	2008 £000
Profit and loss reserve excluding pension liability	**63,933**	63,345
Pension liability	**(1,008)**	(706)
Profit and loss reserve including pension liability	**62,925**	62,639

21 Reconciliation of movements in shareholders' funds

	2009 £000	2008 £000
Profit for the financial year	**840**	7,100
Dividends on shares classified in shareholders' funds	**(20)**	-
	820	7,100
Actuarial (loss)/gain recognised in the pension scheme	**(713)**	89
Deferred tax arising on loss/(gain) in the pension scheme	**179**	(27)
Net addition to shareholders' funds	**286**	7,162
Opening shareholder's funds	**63,781**	56,619
Closing shareholders' funds	**64,067**	63,781

Notes *(continued)*

22 Pension costs

The Group operates a defined contribution pension scheme. The pension cost represents contributions payable by the Group to the scheme and amounted to £374,000 *(2008: £336,000).*

There were outstanding contributions of £43,000 at the end of the financial year (*2008: £42,000).*

On 1 October 2001 the Muir Group plc Managed Pension Plan was closed to new entrants. The plan provides benefits based on final pensionable salary.

The group sponsors the Muir Group plc Managed Pension Plan which is a defined benefit arrangement. The latest full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 May 2008 and was updated for FRS 17 purposes to 1 February 2009 by a qualified independent actuary.

Assumptions

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	2009	2008	2007
Inflation assumption	**3.3%**	3.45%	3.1%
Rate of discount	**6.2%**	5.8%	5.2%
Limited Price Indexation (LPI)	**3.3%**	3.45%	3.1%
Revaluation rate for deferred pensioners	**3.3%**	3.45%	3.1%

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The information disclosed below is in respect of the plan for which the Company is the sponsoring employer.

	2009 £000	2008 £000
Present value of funded defined benefit obligations	**(7,124)**	(7,734)
Fair value of plan assets	**5,724**	6,725
Deficit	**(1,400)**	(1,009)
Related deferred tax asset	**392**	303
Net liability	**(1,008)**	(706)

Movements in present value of defined benefit obligation

	2009 £000	2008 £000
At beginning of year	**7,734**	7,929
Interest cost	**449**	412
Actuarial gains	**(983)**	(502)
Benefits paid	**(76)**	(105)
At end of year	**7,124**	7,734

Notes *(continued)*

22 Pension scheme *(continued)*

Movements in fair value of plan assets

	2009 £000	2008 £000
At beginning of year	**6,725**	6,026
Expected return on plan assets	**481**	427
Actuarial losses	**(1,696)**	(413)
Contributions by employer	**290**	790
Benefits paid	**(76)**	(105)
At end of year	**5,724**	6,725

Income recognised in the profit and loss account

	2009 £000	2008 £000
Interest on defined benefit pension plan obligation	**(449)**	(412)
Expected return on defined benefit pension plan assets	**481**	427
Total	**32**	15

The income is recognised within other finance income in the profit and loss account. The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is (£534,000) *(2008: £62,000).*

The fair value of the plan assets and the expected rates of return on the assets in the scheme were as follows:

	2009 Fair value £'000		2008 Fair value £'000	
Equities	**3,633**	**7.5%**	4,903	**7.5%**
Bonds	**741**	**5.2%**	530	**5.2%**
Insured pensions	**873**	**6.2%**	-	**0%**
Cash	**477**	**1.5%**	1,292	**5.5%**
	5,724		6,725	

Expected long term rates of return

The long term expected return on bonds is determined by reference to the UK long dated government and corporate bond yields at the balance sheet date. The long term expected rate of return on cash is determined by reference to short term gilt yields.

Notes *(continued)*

22 Pension scheme *(continued)*

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2009	2008
	%	%
Discount rate	**6.2**	5.8
Expected return on plan assets at beginning of the period	**6.9**	6.9
Other material assumptions: Inflation	**3.3**	3.45

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Current pensioner aged 65: 20.8 years (male); 24.0 years (female).

History of experience gains and losses

	2009	2008	2007	2006	2005
Difference between the expected and actual return on scheme assets					
Amount (£000)	**(1,696)**	(413)	198	446	144
Percentage of year end scheme assets	**(29.6%)**	(5.3%)	3.3%	9.3%	3.8%
Experience gains and losses on scheme liabilities					
Amount (£000)	**(32)**	(38)	(41)	(64)	37
Percentage of present value of year end scheme liabilities	**(0.6%)**	(0.5%)	(0.7%)	(0.8%)	0.6%
Total amount recognised in statement of total recognised gains and losses					
Amount (£000)	**(713)**	89	(321)	(831)	(403)
Percentage of present value of year end scheme liabilities	**(12.4%)**	1.1%	(5.3%)	(10.5%)	(6.7%)

23 Analysis of cash flows

	2009	2008
	£000	£000
Returns on investment and servicing of finance		
Interest received	**818**	1,377
Interest paid	**(81)**	(20)
	737	1,357

	2009	2008
	£000	£000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(1,946)**	(1,897)
Sale of tangible fixed assets	**230**	419
Loans to joint ventures	**(1,438)**	(2,101)
	(3,154)	(3,579)

Notes *(continued)*

24 Analysis of net funds

	At beginning of year £000	Cash flow £000	**At end of year £000**
Cash in hand and at bank	21,779	(6,893)	**14,886**
Total	21,779	(6,893)	**14,886**

25 Contingent liabilities

Subsidiary undertakings have given indemnities amounting to £7,833,000 *(2008: £8,255,000)* in respect of contract performance bonds issued by banks.

26 Capital commitments

At the year end the group had contracted capital commitments amounting to £Nil (*2008: £111,000*).

27 Related party transactions

During the year the group had transactions to the value of £1,129,000 (*2008: £1,354,000*) with Scarborough Muir Group Ltd, one of the group's joint venture companies. There was a balance due of £53,000 (*2008: £239,000*) from Scarborough Muir Group Ltd as at 3 February 2009.

During the year the group supplied services to JW Muir (Property Investments) Limited amounted to £65,000 (2008: £432,000). At the year end an amount of £11,000 (2008: £12,000) was outstanding in respect of this, and included within amounts owed from related parties.

During the year the group charged a management fee of £100,000 *(2008: £100,000)* to JW Muir (Property Investments) Limited. There were no amounts outstanding in respect of these fees at either of the year-ends.

At the year end the group was due £37,251 (2008: owed £1,402) from / to Muir Financial Investments Limited, and was owed £1,798,186 (2008: £1,681,090) by JW Muir (Property Investments) Limited, both related companies.

During the year the group had transactions to the value of £3,242,000 *(2008: £3,000,000)* with Fairmuir Limited, one of the group's joint venture companies. There was a balance due of £338,000 (2008: £294,000) from Fairmuir Limited at the end of the year.

During the year the group had transactions to the value of £5,940,000 *(2008: £nil)* with Stockland Muir Limited, one of the group's joint venture companies. There was a balance due of £342,000 *(2008: £nil)* from Stockland Muir Limited at the end of the year.