

FM Property and Leisure Limited

**Directors' report and financial
statements**

Registered number SC 173328

31 August 2007

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Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	2
Independent auditors' report to the members of FM Property and Leisure Limited	3
Profit and loss account	4
Balance sheet	6
Notes	7

Company information

Directors	J A Milne J T Milne J I Forbes R T Milne
Secretary	J A Milne
Registered office	9 Great Stuart Street Edinburgh EH3 7TP
Auditors	KPMG LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EG

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 2007

Principal activities

The principal activities of the company are those of property development and rental and farming activities

Review of the business and future development

The profit after providing for taxation amounted to £86,964 (2006 £203,079)

The directors are satisfied with the result for the year and believe the business will continue to be profitable in future years

Results and dividends

The directors recommend that no dividends be paid (2006 £nil)

Directors

The directors who held office during the year were as follows

J A Milne
J T Milne
J I Forbes
R T Milne

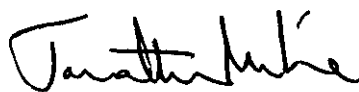
Disclosure of information to auditors

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

During the year, PricewaterhouseCoopers LLP resigned and KPMG LLP were appointed as auditors of the company Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office

By order of the board


J A Milne
Secretary

9 Great Stuart Street
Edinburgh
EH3 7TP
30 June 2008

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 financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 then apply them consistently,
- make judgements 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 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 company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities



KPMG LLP

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
United Kingdom

Independent auditors' report to the members of FM Property and Leisure Limited

We have audited the financial statements of FM Property and Leisure Limited for the year ended 31 August 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet 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 Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

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 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 company's affairs as at 31 August 2007 and of its 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
Chartered Accountants
Registered Auditor

30 June 2008

Profit and loss account
for the year ended 31 August 2007

	<i>Note</i>	2007 £	2006 £
Turnover		737,608	594,903
Cost of sales		(383,443)	(146,410)
Gross profit		354,165	448,493
Administrative expenses		(79,194)	(86,682)
Other operating income		10,000	9,750
Operating profit		284,971	371,561
Other interest receivable and similar income	5	13,085	34,866
Interest payable and similar charges	6	(211,092)	(205,187)
Profit on ordinary activities before taxation	2	86,964	201,240
Tax on profit on ordinary activities	7		1,839
Profit for the year	13	86,964	203,079

All profit for the financial year has been derived from continuing activities

Statement of Total Recognised Gains and Losses
for the year ended 31 August 2007

	2007 £	2006 £
Profit for the financial year	86,964	203,079
Unrealised surplus on revaluation of properties	677,710	
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	764,674	203,079
	<hr/>	<hr/>

Balance sheet
at 31 August 2007

	<i>Note</i>	2007 £	2006 £
Fixed assets			
Tangible assets	8	2,938,615	2,247,345
Current assets			
Stock	9	1,315,240	1,306,245
Debtors	10	1,623,189	1,592,337
Cash at bank and in hand		488,599	
		2,938,429	3,387,181
Creditors amounts falling due within one year	11	(3,128,774)	(3,650,930)
Net current liabilities		(190,345)	(263,749)
Net assets		2,748,270	1,983,596
Capital and reserves			
Called up share capital	12	4	4
Share premium account	13	324,238	324,238
Revaluation reserve	13	1,622,710	945,000
Profit and loss account	13	801,318	714,354
Shareholders' funds	14	2,748,270	1,983,596

These financial statements were approved by the board of directors on 30 June 2008 and were signed on its behalf by



J A Milne
Director

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared on a going concern basis, in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of investment properties. Compliance with Statement of Standard Accounting Practice (SSAP) 19 "Accounting for Investment Properties" requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given in the investment properties accounting policy note below

Under FRS1, the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size

Investment properties

In accordance with Statement of Standard Accounting Practice 19, investment properties are revalued annually at open market value. All surpluses and deficits on valuation are taken directly to revaluation reserve except that any permanent diminution in the value of the investment property is taken to the profit and loss account for the year. No depreciation or amortisation is provided in respect of freehold investment properties

This treatment may be a departure from the Companies Act requirements concerning the depreciation of fixed assets. However, the properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value

Taxation

The charge for taxation is based on the profit for the year and takes into account 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

Turnover

Turnover represents sale of residential properties and rental income receivable on investment properties. Profits in respect of sales of residential properties are taken at the date of completion

Notes (continued)

1 Accounting policies (continued)

Fixed asset and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic life as follows

Motor vehicles 4 years at 25%

2 Profit on ordinary activities before taxation

	2007 £	2006 £
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditor's remuneration		
Audit of these financial statements	2,400	3,500
Other services relating to tax	2,000	1,600
Depreciation of owned assets	8,941	8,203
Gain on sale of fixed assets	(10,000)	
	<u> </u>	<u> </u>

3 Directors' remuneration

Directors' remuneration has been paid by and is disclosed in the financial statements of FM Developments Limited, with the exception of RT Milne which is paid by this company of £30,000 (2006 £30,000)

4 Staff costs

There were no employees in the current or prior years, other than the directors (2006 nil)

5 Other interest receivable and similar income

	2007 £	2006 £
Bank interest receivable	13,085	34,866
	<u> </u>	<u> </u>

6 Interest payable and similar charges

	2007 £	2006 £
On bank loans and overdrafts	211,092	205,187
	<u> </u>	<u> </u>

Notes (continued)

7 Taxation

Analysis of charge in year

	2007 £	2006 £
<i>UK corporation tax</i>		
Current tax on income for the year		57,564
Adjustment in respect of prior years		(59,403)
		<hr/>
Tax on profit on ordinary activities		(1,839)
		<hr/>

Factors affecting the tax charge for the current year

The current tax charge for the year is lower than (2006 lower than) the standard rate of corporation tax in the UK (30%) (2006 30%). The differences are explained below

	2007 £	2006 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	86,964	201,240
	<hr/>	<hr/>
Current tax at 30% (2006 30%)	26,089	60,372
<i>Effects of</i>		
Depreciation for period in excess of capital allowances	(3,282)	27
Adjustments to tax charge in respect of previous periods		(59,403)
Group relief receivable for nil consideration	(22,807)	
Expenses not deductible for tax purposes		(2,835)
	<hr/>	<hr/>
Total current tax charge (see above)		(1,839)
	<hr/>	<hr/>

Notes (continued)

8 Tangible fixed assets

	Freehold investment properties £	Plant/ machinery £	Total £
Cost or valuation			
At beginning of year	2,222,290	55,919	2,278,209
Additions		22,501	22,501
Revaluation	677,710		677,710
Disposals		(18,150)	(18,150)
	<hr/>	<hr/>	<hr/>
At end of year	2,900,000	60,270	2,960,270
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year		30,864	30,864
Disposals		(18,150)	(18,150)
Charge for year		8,941	8,941
	<hr/>	<hr/>	<hr/>
At end of year		21,655	21,655
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 August 2007	2,900,000	38,615	2,938,615
	<hr/>	<hr/>	<hr/>
At 31 August 2006	2,222,290	25,055	2,247,345
	<hr/>	<hr/>	<hr/>

The investment properties were valued on 18 April 2007 by Aberdeen & Northern Estates Limited, Land and Estate Agents, Surveyors, Auctioneers and Valuers. The historical cost of the investment property was £1,277,290 (2006 £1,277,290).

9 Stocks

	2007 £	2006 £
Work in progress	1,315,240	1,306,245
	<hr/>	<hr/>

Notes (continued)

10 Debtors

	2007 £	2006 £
Called up share capital not paid	2	2
Trade debtors	11,750	
Amounts owed by group undertakings	1,498,163	1,484,373
Other debtors	106,000	105,170
VAT	3,010	
Corporation tax	2,436	
Prepayments and accrued income	1,828	2,792
	<u>1,623,189</u>	<u>1,592,337</u>

Amounts owed by other group undertakings are unsecured, interest free and have no fixed repayment period

11 Creditors amounts falling due within one year

	2007 £	2006 £
Bank overdraft (secured)	2,916,471	3,410,321
Trade creditors	41,706	9,935
Amounts owed to group undertakings	148,885	148,885
Corporation tax		57,564
Other creditors		828
Accruals and deferred income	21,712	23,397
	<u>3,128,774</u>	<u>3,650,930</u>

The bank overdraft is secured by a bond and floating charge over the assets of the company and a standard security over the investment properties

12 Called up share capital

	2007 £	2006 £
<i>Authorised</i>		
Ordinary shares of £1 each	150,000	150,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	2	2
<i>Allotted, called up and unpaid</i>		
Ordinary shares of £1 each	2	2
	<u>4</u>	<u>4</u>

Notes (continued)

13 Reserves

	Share premium account	Revaluation reserve £	Profit and loss account £
At beginning of year	324,238	945,000	714,354
Profit for the year			86,964
Revaluation in the year		677,710	
At end of year	324,238	1,622,710	801,318

14 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit for the financial year	86,964	203,079
Revaluation in the year	677,710	
Net addition to shareholders' funds	764,674	203,079
Opening shareholders' funds	1,983,596	1,780,517
Closing shareholders' funds	2,748,270	1,983,596

15 Guarantees

The company has given a guarantee covering all sums due by it and certain subsidiary undertakings to the Bank of Scotland, and has granted a right of offset against any amount owed by any of these group companies to the Bank. The group and company bank overdrafts are secured in favour of the Bank of Scotland by way of a floating charge.

16 Related party disclosures

The balance owed from FM Developments Limited, the ultimate parent company, at the year end was £1,498,163 (2006 1,484,373) in respect of loans given.

The balance due to FM Construction Limited, a company in which JA Milne is a director was £148,885 (2006 £148,885).

19 Ultimate controlling parties

The company is a 100% subsidiary undertaking of FM Developments Limited, incorporated in Scotland.