CN

Stewart Milne Group Limited

Directors' report and financial statements

Registered number SC57709

30 June 2012

Contents

Directors and officers

Directors:	*Executive* S Milne Chairman CBE GFW Allison CA JC Irvine CA J Slater-Fearn A Goodfellow (appointed 8 August 2012) *Non-executive* HJ Mackay MBE C Eng, MI Struct E
Secretary:	S Oag CA
Registered Office:	Peregrine House Westhill Business Park Westhill Aberdeen AB32 6TQ
Auditor:	KPMG LLP Chartered Accountants Aberdeen AB10 1JB

Chairman's Statement

The year to June 2012 experienced market conditions similar to 2011 with Housebuilding activity remaining subdued due to a lack of availability of mortgage finance and confidence levels being low, and both the Construction and Timber Frame markets being extremely competitive.

Against this background Group Operating Profit increased by 25% to £12.1m, compared to £9.7m in 2011, with the increase being due to increased Homes activity levels, improved Timber Systems performance and the contribution from Developments transactions which more than offset the Construction Division's performance.

During the year we incurred significant costs as a consequence of our decision to sell our Construction business. In addition substantial costs were incurred in restructuring our Timber Systems business to increase operational efficiency. These decisions will have a long-term benefit for the Group, and will allow us to focus on the areas where we can generate most value.

The overall Group performance was positive, increasing operating profit by 25%, and even after providing for £8.2m, a combination of losses in the Construction business, and exceptional costs, we delivered a slightly improved net profit performance. This represented a strong performance in the Continuing Operations.

The Group result was a net profit of £486k before tax (2011: £406k).

We believe that the challenging market conditions will continue in the coming year and we continue to focus on the fundamentals of the business to ensure we operate effectively.

Homes
Turnover increased by 25% in the year, resulting from a 34% increase in unit numbers achieved.

The unit numbers increased in line with our plan due to an increase in the number of sales outlets and are projected to increase further in 2013.

It is particularly pleasing to achieve the forecast growth in our North West England Division as it continues to establish itself.

The trading performance since our financial year end is in line with our forecast and we are confident of achieving our targeted sales for 2013.

Landbank
In 2012 we made a significant acquisition in Aberdeen to bolster our strategic landbank but a substantial portion of the payment is deferred and is shown in long-term creditors.

We continued to deliver controlled land trading as part of our normal business in order to maximise cash efficiency.

We currently have around 3,500 consented plots which equates to a 5 year supply at 2012 projected levels of activity, with a further 9,000 plots under conditional contracts.

Timber Systems
Turnover was allowed to decrease in 2012 as anticipated to aid with the restructuring of the business without undue disruption.

The market remains subdued with competition remaining high with aggressive pricing evident but we anticipate sales volumes to increase in 2013 as we regain market share.

Our investment in advanced products continues to provide future opportunities as it offers solutions for energy efficiency and the zero carbon agenda.

Chairman's Statement

Construction
In 2012 we sold our Construction business in order to focus on our core business. This was completed in April 2012 and significant losses were incurred in the year as a result.

While we have retained a small number of contracts into 2013 no further work has been accepted and there is anticipated to be no further activity beyond then.

Developments
Several transactions completed in 2012 as targeted and we anticipate further transactions in 2013.

Financial Performance
As noted above, the financial performance resulted in a profit of £486k for the year.

Group Operating Profit increased by 25% to £12.1m compared to £9.7m in 2011, with the increase being due to increased Homes activity levels, improved Timber Systems performance and the contribution from Developments transactions which more than offset the Construction Division's performance.

Gearing decreased slightly in the year despite a £5.3m increase in Shared Equity and the timing of year-end settlements, which resulted in increased Part Exchange Properties levels being held.

Principal Risks and Uncertainties
As with any company operating in this challenging sector, the Group's financial and operational performance is subject to a number of risks. The Board seeks to ensure that appropriate processes are put in place to manage, monitor and mitigate these risks. The Group recognises that the management of risk is fundamental to achievement of its targets. As such, all tiers of management are involved in this process.

The key business risks affecting the Group are:

Market
The principal risk is a reduction in sales volumes in response to the macroeconomic environment and particularly the availability of mortgage finance for house purchases.

We have in place a number of measures to manage this risk including strengthening the sales teams and a weekly review of key trading indicators such as reservations, sales rates, visitor levels, levels of incentives and competitor activity.

Liquidity
The ability of the Group to ensure that it has sufficient borrowing facilities in place is fundamental to its activities, details of which are contained in Note 14 to these Financial Statements. In order to ensure this remains the case the Group has a comprehensive detailed regular forecasting process, which allows us to proactively manage the adequacy of headroom within facilities and banking covenants.

Land
Securing sufficient land of appropriate size and quality is required to support profitable growth. Each land acquisition is subject to a formal appraisal and is required to achieve an appropriate hurdle rate of return. Planning expertise within the business is a key strength and maximises strategic land acquisition, which significantly reduces the need for market purchases.

Regulation
The Housebuilding industry is subject to extensive and complex regulations and an increasingly stringent regulatory environment, including planning and technical requirements. The Group consults with the UK Government through industry bodies and highlights potential issues, has in-house technical and planning expertise and is actively engaged in a product development programme to ensure cost effective and proactive compliance with the regulations.

Chairman's Statement

People
During the year the commitment of our excellent and highly skilled staff resulted in a positive result in 2012, providing a foundation for us to grow the business and increase profitability.

It is with regret that we incurred redundancies in 2012 as a result of our restructuring but believe we have minimised this as far as possible.

We remain fully committed to People Development as an ongoing part of our strategy and effective management skills have been an important element in dealing with the many challenges we face.

We also remain fully committed to Investors in People.

Conclusion
We are satisfied that the Group continues to improve its profitability in on-going operations and, despite providing for £8.2m of non-recurring costs resulting from the decision to sell on our Construction business and exceptional costs, we still delivered a slightly improved net profit before tax.

We anticipate current market conditions continuing through 2013 and are focussed on achieving growth and improved profitability.

Stewart Milne
Chairman

18 October 2012

Directors' report

The directors present the report and financial statements for the year ended 30 June 2012.

Principal activity and business review

The principal activity of the company and its subsidiary undertakings is house building. It is also involved in the manufacture of timber frames and commercial structures, building contracting and commercial property development. The chairman's statement on pages 2 to 4 gives details of the development of the group's business and its activities during the year.

Dividends

No dividends were paid during the year. The directors do not recommend the payment of a final dividend.

Directors

The directors of the company during the year and up to the date of this report are shown on page 1.

Employees

The group is committed to maintaining and improving the methods by which employees are informed, either through meetings with representatives or otherwise, on matters affecting their work and the progress of the group. The group is also committed to offering employment, training and career development to disabled persons with the appropriate skills and qualifications.

Charitable contributions

The group made charitable contributions of £42,000 *(2011: £19,000)* during the year. Neither the company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Statement as to disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

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

On behalf of the board

J. Irvine

JC Irvine
Director

Peregrine House
Westhill Business Park
Westhill

18 October 2012

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 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;
- 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.

37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

Independent auditor's report to the members of Stewart Milne Group Limited

We have audited the financial statements of Stewart Milne Group Limited for the year ended 30 June 2012 set out on pages 8 to 32. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on 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 30 June 2012 and of the group's loss for the financial 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

D MacAskill (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
18 October 2012

Consolidated Profit and Loss Account

for the year ended 30 June 2012

		Note	Continuing operations £000	Discontinued operations £000	Total 2012 £000	Total 2011 £000
Group turnover		1,2	**210,270**	**57,846**	**268,116**	229,097
Cost of sales			**(161,371)**	**(60,553)**	**(221,924)**	(188,938)
Gross profit			**48,899**	**(2,707)**	**46,192**	40,159
Administrative expenses	-recurring		**(29,951)**	**(3,008)**	**(32,959)**	(30,829)
	-exceptional	4	**(1,284)**	**(1,720)**	**(3,004)**	-
			(31,235)	**(4,728)**	**(35,963)**	(30,829)
Other operating income			**1,411**	**500**	**1,911**	352
Operating profit			**19,075**	**(6,935)**	**12,140**	9,682
Interest receivable					**637**	408
Interest payable		7			**(12,291)**	(9,684)
Profit before taxation		3-5			**486**	406
Tax on profit on ordinary activities		8			**(1,234)**	(1,315)
Loss for the financial year		16			**(748)**	(909)

There were no recognised gains or losses other than the results reported above.

Joint ventures had no material impact on the group's turnover or operating profit.

Note of Consolidated Historical Cost Profits and Losses
for the year ended 30 June 2012

		2012	2011
		£000	£000
Reported profit on ordinary activities before taxation		**486**	406
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	*17*	**588**	585
Realisation of property revaluation gains of previous years	*17*	**1,526**	-
Historical cost profit on ordinary activities before taxation		**2,600**	991
Historical cost profit / (loss) for the year retained after taxation		**1,366**	(324)

Consolidated balance sheet

at 30 June 2012

	Note	2012 £000	2012 £000	2011 £000	2011 £000
Fixed assets					
Intangible assets	*9*		**4,354**		5,379
Tangible assets	*10*		**22,859**		26,447
Investments:	*11*				
Investment in joint ventures:					
Share of gross assets		**31,210**		32,923	
Share of gross liabilities		**(28,065)**		(29,858)	
Loans to joint ventures		**7,261**		7,261	
		10,406		10,326	
Investment in associate		**8**		8	
Other investments		**3,782**		3,351	
			14,196		13,685
			41,409		45,511
Current assets					
Stocks	*12*	**302,714**		289,707	
Debtors (including £29,600,000 *(2011: £24,225,000)* due after more than one year)	*13*	**85,280**		100,665	
Cash at bank and in hand		**8**		12	
		388,002		390,384	
Creditors: amounts falling due within one year	*14*	**(301,244)**		(77,315)	
Net current assets			**86,758**		313,069
Total assets less current liabilities			**128,167**		358,580
Creditors: amounts falling due after more than one year	*15*		**(21,125)**		(250,790)
Net assets			**107,042**		107,790
Capital and reserves					
Called up share capital	*16*		**180**		180
Capital redemption reserve	*17*		**60**		60
Revaluation reserve	*17*		**10,725**		12,839
Profit and loss account	*17*		**96,077**		94,711
Shareholders' funds	*18*		**107,042**		107,790

These financial statements were approved by the board of directors on 18 October 2012 and were signed on its behalf by:

J. Irvine

JC Irvine
Director

Balance sheet
at 30 June 2012

	Note	**2012**		2011	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*9*		**4,354**		5,379
Tangible assets	*10*		**22,859**		24,747
Investments	*11*		**72,723**		72,998
			99,936		103,124
Current assets					
Stocks	*12*	**235,132**		222,741	
Debtors (including £29,600,000 *(2011: £24,225,000)* due after more than one year*)*	*13*	**89,662**		104,885	
Cash at bank and in hand		**8**		12	
		324,802		327,638	
Creditors: amounts falling due within one year	*14*	**(314,415)**		(87,958)	
Net current assets			**10,387**		239,680
Total assets less current liabilities			**110,323**		342,804
Creditors: amounts falling due after more than one year	*15*		**(21,125)**		(251,106)
Net assets			**89,198**		91,698
Capital and reserves					
Called up share capital	*16*		**180**		180
Capital redemption reserve	*17*		**60**		60
Revaluation reserve	*17*		**10,725**		11,313
Profit and loss account	*17*		**78,233**		80,145
Shareholders' funds	*18*		**89,198**		91,698

These financial statements were approved by the board of directors on 18 October 2012 and were signed on its behalf by:

J. Irvine

JC Irvine
Director

Consolidated cash flow statement

for the year ended 30 June 2012

	Note	2012		2011	
		£000	£000	£000	£000
Net cash inflow / (outflow) from operating activities	23		26,129		(20,448)
Interest received		637		408	
Interest paid		(11,001)		(10,982)	
Net cash outflow from returns on investments and servicing of finance			(10,364)		(10,574)
Taxation					
Corporation tax paid			(212)		(364)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(326)		(323)	
Receipts / (payments) to acquire fixed asset investments		16		(75)	
Receipts from sale of tangible fixed assets		2,392		63	
Investment income		-		524	
Net cash inflow (outflow) from capital expenditure and financial investment			2,082		189
Acquisitions and disposals					
Purchase of subsidiary undertakings		(1,051)		(9,800)	
Net cash outflow from acquisitions and disposals			(1,051)		(9,800)
Increase / (decrease) in cash	25		16,584		(40,997)

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 group's financial statements.

Basis of preparation

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

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement on pages 2-4 of these financial statements.

The current economic conditions continue to create widespread uncertainty, particularly in relation to the level of demand for the group's products.

The directors have assessed the future funding requirements of the group and company and have compared the requirements to the level of long term debt, committed bank facilities and cash resources over the medium term. The assessment included a detailed review of the financial forecasts and the preparation of sensitivity analysis on key factors that could affect future cash flows, financial covenants and funding requirements.

The group meets its day to day working capital requirements through overdraft and bank loan facilities having secured bank loan facilities through to the end of October 2013 (see note 14). The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of these facilities. The group has continued to operate within all of its banking covenants throughout the year and to date. The Directors therefore have a reasonable expectation that the company and the group have adequate resources to continue their operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Directors' report and financial statements.

The group will open renewal negotiations with its bankers in due course and has at this stage not sought any commitment that this facility will be renewed. However the group has held discussions with its bankers about its future borrowing needs and no matters have come to its attention to suggest that renewal will not be forthcoming on acceptable terms.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and the financial statements of its subsidiary and associated undertakings made up to 30 June 2012. The acquisition method of accounting has been adopted. Under this method the results of subsidiary and associated undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associate is an undertaking in which the group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. The directors do not consider that the group exercises significant influence over the affairs of Aberdeen Football Club and accordingly this investment has not been accounted for as an associated undertaking. 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 associates and of joint ventures is included in the consolidated profit and loss account. The group's interest in their net assets or net liabilities and loans to joint ventures are included in investments in the consolidated balance sheet.

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

Notes *(continued)*

1 Accounting policies *(continued)*

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. In the year of acquisition goodwill is regarded as provisional and then reassessed and confirmed in the subsequent year. Provision is made for any impairment when identified.

Investments

In the company's financial statements, investments in subsidiary undertakings, associates, joint ventures and other investments are stated at cost less provision for impairment.

Impairment of fixed assets and goodwill

The carrying amounts of the group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. The recoverable amount of fixed assets is the greater of their net realisable value and value in use. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

Tangible fixed assets and depreciation

Interests in land and buildings are stated at valuation. Full valuations of land and buildings are made by independent professionally qualified valuers every five years, with interim valuation reviews performed every three years. The valuations are performed on the basis of existing use.

The cost of other tangible fixed assets is their purchase cost, together with any other costs that are directly attributable to bringing the asset into working condition for its intended use.

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

Freehold buildings	-	10 to 50 years
Plant and machinery	-	5 to 15 years
Motor vehicles	-	4 years
Furniture and equipment	-	3 to 5 years
Computer equipment	-	3 years

No depreciation is provided on land.

Notes *(continued)*

1 Accounting policies *(continued)*

Leases

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

Post retirement benefits

The group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The amount charged against profits represents the contributions payable by the group to the schemes in respect of the accounting period.

Stocks

Stocks, including land, are stated at the lower of cost and net realisable value. In determining the cost of raw materials and consumables, the weighted average purchase price is used. For work in progress, cost is taken as production cost which includes an appropriate proportion of overheads.

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 the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for losses as soon as they are foreseen.

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. Where payments on account exceed the value of work certified at the balance sheet date, this is shown as payments on account within creditors.

Taxation

The charge or credit for taxation is based on the profit or loss 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 sales of residential properties, including those sold under shared equity arrangements, and land legally completed in the year, invoiced sales and the value of work executed by construction activities. Turnover excludes value added tax and the proceeds from sales of houses taken in part exchange.

Segmental reporting

The directors consider that no disclosure should be made of the analysis of (loss) profit on ordinary activities before taxation and net assets by activity, as it is considered that disclosure of this information would be seriously prejudicial to the interests of the group.

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments

Following the adoption of FRS 25, financial instruments issued by the Group are treated as equity (ie forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

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 Turnover

	2012		2011	
	£000	**%**	£000	%
Activity				
Timber frame manufacture	**21,297**	**8**	30,056	13
Building contracting	**59,230**	**22**	57,128	25
House building	**170,535**	**64**	136,955	60
Property development	**17,054**	**6**	4,000	2
Other	**-**	**-**	958	-
	268,116	**100**	229,097	100

Turnover arises entirely in the UK.

3 Analysis of continuing and discontinued operations

	2012 Continuing £000	**2012 Discontinued £000**	**2012 Total £000**	2011 Continuing £000	2011 Discontinued £000	2011 Total £000
Group turnover	**210,270**	**57,846**	**268,116**	172,551	56,546	229,097
Cost of sales	**(161,371)**	**(60,553)**	**(221,924)**	(134,192)	(54,746)	(188,938)
Gross profit	**48,899**	**(2,707)**	**46,192**	38,359	1,800	40,159
Administrative expenses	**(31,235)**	**(4,728)**	**(35,963)**	(26,877)	(3,952)	(30,829)
Other operating income	**1,411**	**500**	**1,911**	352	-	352
Group operating profit/(loss)	**19,075**	**(6,935)**	**12,140**	11,834	(2,152)	9,682

Notes *(continued)*

4 Profit on ordinary activities before taxation

	2012 £000	2011 £000
Profit on ordinary activities before taxation is stated after charging / (crediting)		
Depreciation – owned assets	**1,637**	1,879
Amortisation of goodwill	**1,025**	899
Operating lease rentals – plant and machinery	**319**	353
Operating lease rentals – other	**965**	986
Gain on sale of tangible fixed assets	**(115)**	(37)

	2012 £000	2011 £000
Auditor's remuneration:		
Audit of these financial statements	**135**	125
Amounts receivable by the auditors in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**10**	26
Other services relating to taxation	**20**	45
Other services	**5**	5

Exceptional costs largely relate to redundancy and reorganisation costs.

5 Remuneration of directors

	2012 £000	2011 £000
Directors' emoluments	**2,216**	2,619
Company contributions to money purchase pension schemes	**180**	71
	2,396	2,690

The emoluments of the highest paid director were £865,000 *(2011: £1,299,000)*, and company pension contributions of £nil *(2011: £nil)* were made to a money purchase scheme on his behalf.

	Number of directors	
	2012	2011
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**4**	3

Notes *(continued)*

6 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2012	2011
Office and administration	**552**	504
Manufacturing	**286**	392
	838	896

The aggregate payroll costs of these persons were as follows:

	2012	2011
	£000	£000
Wages and salaries	**31,738**	31,622
Social security costs	**3,310**	3,243
Other pension costs (note 21)	**1,645**	1,561
	36,693	36,426

7 Interest payable

	2012	2011
	£000	£000
On bank loans and overdrafts	**11,960**	9,203
Other interest payable	**20**	31
	11,980	9,234
Share of joint venture interest	**311**	450
	12,291	9,684

Notes *(continued)*

8 Taxation

Analysis of charge in year

UK corporation tax	2012 £000	2012 £000	2011 £000	2011 £000
Current tax on income for the year	**800**		(4)	
Adjustments in respect of prior year	**29**		13	
		829		9
Share of joint ventures' current tax				
Current tax on income for the year	**250**		376	
Adjustments in respect of prior year	**(6)**		334	
		244		710
Total current tax		**1,073**		719
Deferred tax (see note 13)				
Origination/reversal of timing differences	**94**		40	
Adjustments in respect of prior year	**67**		556	
Total deferred tax		**161**		596
Tax on profit on ordinary activities		**1,234**		1,315

Factors affecting the tax charge for the current year

The current tax charge for the year is higher *(2011: higher)* than the effective standard rate of corporation tax in the UK applicable to the accounting period of 25.5% *(2011: 27.5%)*. The differences are explained below:

Current tax reconciliation	2012 £000	2011 £000
Profit on ordinary activities before tax	**486**	406
Current tax at 25.5% *(2011: 27.5%)*	**124**	112
Effects of:		
Non deductible expenditure including goodwill amortisation	**662**	35
Fixed asset timing differences	**6**	(16)
Depreciation on assets not qualifying for capital allowances	**242**	269
Other timing differences	**1**	(73)
Non-taxable profits of joint ventures	**17**	33
Non standard tax rates	**(2)**	12
Adjustments to tax charge in respect of previous periods	**23**	347
Total current tax charge (see above)	**1,073**	719

Notes *(continued)*

9 Intangible fixed assets

	Goodwill £000
Group	
At beginning and end of year	12,136
Amortisation	
At beginning of year	6,757
Charge for year	1,025
At end of year	7,782
Net book value	
At 30 June 2012	**4,354**
At 30 June 2011	5,379

	Goodwill £000
Company	
Cost	
At beginning and end of year	10,247
Amortisation	
At beginning of year	4,868
Charge for year	1,025
At end of year	5,893
Net book value	
At 30 June 2012	**4,354**
At 30 June 2011	5,379

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. The goodwill remaining at 30 June 2012 is being amortised over a period of ten years, of which there is four years remaining, being the period during which the related acquisition is expected to contribute to the growth of the Group.

Notes *(continued)*

10 Tangible fixed assets

Group	Investment properties £000	Freehold land and buildings £000	Plant, machinery and vehicles £000	Furniture and equipment £000	Total £000
Cost or valuation					
At beginning of year	1,700	25,067	9,040	8,382	44,189
Additions	-	4	144	178	326
Disposals	(1,700)	(526)	(2,240)	(398)	(4,864)
At end of year	-	24,545	6,944	8,162	39,651
Depreciation					
At beginning of year	-	2,959	6,631	8,152	17,742
Charge for year	-	949	518	170	1,637
On disposals	-	-	(2,189)	(398)	(2,587)
At end of year	-	3,908	4,960	7,924	16,792
Net book value					
At 30 June 2012	**-**	**20,637**	**1,984**	**238**	**22,859**
At 30 June 2011	1,700	22,108	2,409	230	26,447

The value of land not depreciated is £7,969,000 *(2011: £8,495,000)*.

Notes *(continued)*

10 Tangible fixed assets *(continued)*

	Freehold land and buildings £000	Plant, machinery and vehicles £000	Furniture and equipment £000	Total £000
Company				
Cost or valuation				
At beginning of year	25,067	9,037	8,383	42,487
Additions	4	144	178	326
Disposals	(526)	(2,237)	(399)	(3,162)
At end of year	24,545	6,944	8,162	39,651
Depreciation				
At beginning of year	2,959	6,628	8,153	17,740
Charge for year	949	518	170	1,637
On disposals	-	(2,186)	(399)	(2,585)
At end of year	3,908	4,960	7,924	16,792
Net book value				
At 30 June 2012	**20,637**	**1,984**	**238**	**22,859**
At 30 June 2011	22,108	2,409	230	24,747

The value of land not depreciated is £7,969,000 *(2011: £8,495,000)*.

The split between cost and valuation of land and buildings is as follows:

	Group Land and buildings £000	Company Land and buildings £000
Cost	171	171
Valuation	24,374	24,374
	24,545	24,545

Notes *(continued)*

10 Tangible fixed assets *(continued)*

The land and buildings held at cost in the group and company represents tenant's improvements and additions to land and buildings since valuation.

Land and buildings - valuation details

The group's factory and office premises at Peregrine Road/Mosscroft Avenue in Westhill, Aberdeen were valued at £12,500,000 as at 30 June 2008 by an external valuer, Scott Strachan, MRICS of FG Burnett, Chartered Surveyors. This valuation was undertaken in accordance with the RICS Appraisal and Valuation Standards. In addition, the group's office and workshop premises at Hunter Street in Auchterarder were valued at £1,100,000 as at 30 June 2008 by an external valuer, Neil Strachan, MRICS of FG Burnett, Chartered Surveyors. The valuations of these properties which are utilised in connection with the Group's ongoing business were carried out on the basis of Existing Use Value. The valuers' opinions of Existing Use Value were primarily derived using comparable market evidence from sales and lettings of sites, offices and industrial buildings in this and other comparable locations.

Neither valuer has been responsible for any previous valuations of these premises for accounts purposes. However, FG Burnett has been responsible for carrying out valuations of the Westhill properties for the same purpose on two previous occasions (June 1997 and September 1994). In relation to FG Burnett's financial year ending 30 April 2008, the total fees payable by the group represented less than 5% of the total fee income of FG Burnett.

The group's freehold property known as "Falcon House, Curbridge Business Park, Downs Road, Curbridge, Witney, Oxfordshire, OX29 7WJ" was valued at £9,600,000 on 27 June 2008 by an external valuer, N C Brown, BSc MRICS of Gerald Eve. The valuation was performed in accordance with the requirements of the RICS Valuation Standards and FRS 15.

Gerald Eve have not previously provided valuation or other property advice to Stewart Milne Group Limited. The total fees earned from Stewart Milne Group Limited have never exceeded 5% of the total earnings of Gerald Eve annually, and this is not expected to change in the foreseeable future.

The valuation of the property has been carried out on an Existing Use Value basis, assuming that the property would be sold as part of the continuing business. Should this not be the case, the Market Value of the property could be significantly lower and a figure was also reported on this basis which indicated that the difference was not material.

The valuers' opinions of Existing Use Value and Market Value were primarily derived using comparable recent market transactions on arm's length terms.

These full valuations, together with that of the group's other property, were updated at 30 June 2012 by a qualified surveyor employed by the company. No changes were recorded as a result of these interim valuations.

Notes *(continued)*

10 Tangible fixed assets *(continued)*

The following information relates to tangible fixed assets carried on the basis of revaluations in accordance with FRS 15 *Tangible fixed assets*.

	2012 £000	2011 £000
At existing use value	**24,373**	24,900
Aggregate depreciation thereon	**(3,855)**	(2,911)
Net book value	**20,518**	21,989
Historical cost of revalued assets	**14,236**	15,362
Aggregate depreciation based on historical cost	**(4,418)**	(4,061)
Historical cost net book value	**9,818**	11,301

11 Fixed asset investments

	Interest in associated undertakings and joint ventures £000	Other investments £000	Other loan £000	Total £000
Group				
Cost				
At beginning of year	10,433	2,820	3,849	17,102
Loans to joint ventures	(16)	-	-	(16)
Share of results of joint ventures	688	-	-	688
Adjustment	-	-	86	86
At end of year	11,105	2,820	3,935	17,860
Provisions				
At end of year	99	2,794	524	3,417
Change in provision	592	-	(345)	247
At end of year	691	2,794	179	3,664
Net book value				
At 30 June 2012	**10,414**	**26**	**3,756**	**14,196**
At 30 June 2011	10,334	26	3,325	13,685

Notes *(continued)*

11 Fixed asset investments *(continued)*

Company	Interest in associated undertakings and joint ventures £000	Unlisted subsidiary undertakings £000	Other investments £000	Total £000
Cost				
At beginning of year	1,442	70,799	1,190	73,431
Adjustment to deferred consideration	-	(349)	-	(349)
Loans to joint ventures	77	-	-	77
At end of year	1,519	70,450	1,190	73,159
Provisions				
At beginning and end of year	-	-	433	433
Change in provision	-	-	3	3
At end of year	-	-	436	436
Net book value				
At 30 June 2012	**1,519**	**70,450**	**754**	**72,723**
At 30 June 2011	1,442	70,799	757	72,998

In previous financial years, the trade and net assets of a subsidiary undertaking were transferred to the company at their book value which was less than their fair value. The cost of the company's investment in this subsidiary undertaking reflected the underlying fair value of its net assets and goodwill at the time of the acquisition. As a result of this transfer, the value of the company's investment in the subsidiary undertaking fell below the amount at which it was stated in the company's accounting records. Schedule 1 of the Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) requires that the investment be written down accordingly and that the amount be charged as a loss in the company's profit and loss account. However, the directors consider that, as there has been no overall loss to the company, it would fail to give a true and fair view to charge such diminution to the company's profit and loss account and they should instead be re-allocated to goodwill and the identifiable net assets transferred, so as to recognise in the company's individual balance sheet the effective cost to the company of those net assets and goodwill.

The departure has no effect on the group financial statements however the individual parent company financial statements show an increased profit and increased net asset position of £3,748,000 *(2011: £4,773,000)*.

The net cash outflow for the purchase of subsidiary undertakings during the year of £1,051,000 *(2011: £9,800,000)* represents deferred consideration payable in connection with the acquisition of King Group Limited in the financial year ended 30 June 2008.

Notes *(continued)*

11 Fixed asset investments *(continued)*

The principal undertakings in which the group's interest at the year end is significant are as follows:

Subsidiary undertakings	Country of incorporation	Principal activity	Ordinary Share Capital Owned Group %	Ordinary Share Capital Owned Company %
Stewart Milne Commercial Limited	Scotland	Commercial developer	100	100
Stewart Milne Developments Limited	Scotland	Residential & commercial developer	100	100
Stewart Milne Properties Limited	Scotland	Residential & commercial developer	100	100
Dalglen No. (817) Limited	Scotland	Commercial developer	100	100
Stewart Milne Central Limited	Scotland	Commercial developer	100	100
Stewart Milne Westhill Limited	Scotland	Commercial developer	100	100
A & L King (Builders) limited	Scotland	Building contractor	100	-
The King Group Limited	Scotland	Investment holding company	100	100

Joint ventures	Country of incorporation	Principal activity	Ordinary Share Capital Owned Group %	Ordinary Share Capital Owned Company %
Stewart Milne (West) Limited	Scotland	Residential & commercial developer	50	-
Stewart Milne (Glasgow) Limited	Scotland	Residential & commercial developer	50	-
Freedom Homes (Stirling) Limited	Scotland	Residential & commercial developer	50	-
Redco Milne Limited	Scotland	Commercial developer	50	50

Stewart Milne (West) Limited and Stewart Milne (Glasgow) Limited have financial year ends of 31 December. The financial year end of Freedom Homes (Stirling) Limited and Redco Milne Limited is 30 June.

Other investments

Aberdeen Football Club	Scotland	Football Club	26.8	4.2

Notes *(continued)*

12 Stocks

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Raw materials including land banks	**187,908**	156,413	**132,269**	98,820
Work in progress	**90,410**	108,813	**78,467**	99,440
Finished goods	**24,396**	24,481	**24,396**	24,481
	302,714	289,707	**235,132**	222,741

Included within finished goods is £24,180,000 *(2011: £24,216,000)* in respect of part exchange properties held.

13 Debtors

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Trade debtors	**54,719**	52,497	**53,815**	50,599
Amounts owed by group undertakings	**-**	-	**6,645**	6,959
Amounts owed by joint ventures	**2,040**	1,212	**-**	-
Corporation tax recoverable	**1,448**	2,737	**1,449**	2,737
Group relief receivable	**-**	-	**697**	759
Deferred tax asset	**544**	705	**544**	705
Other debtors	**14,062**	26,017	**14,045**	25,629
Prepayments and accrued income	**12,467**	17,497	**12,467**	17,497
	85,280	100,665	**89,662**	104,885

Included in trade debtors in the group and company is an amount of £24,500,000 *(2011: £19,125,000)* relating to loans provided under the group's shared equity scheme where up to 25% of the sales value of the property is offered to the customer by way of an interest free loan. These loans are secured over the properties to which they relate and are expected to be recovered in greater than one year.

Included in other debtors in the group and company is an amount of £5,100,000 *(2011: £5,100,000)* recoverable in greater than one year.

Deferred tax asset	**£000**
Group and company	
At beginning of year	705
Charge to profit and loss account (note 8)	(161)
At end of year	**544**

The elements of deferred taxation are as follows:

	Group and Company	
	2012	2011
	£000	£000
Difference between accumulated depreciation and capital allowances	**188**	305
Other timing differences	**356**	400
Deferred tax asset	**544**	705

Notes *(continued)*

13 Debtors (continued)

No provision has been made for deferred tax on gains recognised on revaluing property. An estimate of tax that would be payable if these were sold at their revalued amounts is £nil *(2011: £309,000)*.

No provision has been made for deferred tax on the fair value uplift to stock on acquisition. An estimate of tax that would be payable if the stock was sold at the fair value amounts is £12,848,000 *(2011: £13,660,000)*.

14 Creditors: amounts falling due within one year

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Bank loans	**229,202**	-	**231,706**	-
Payments received on account	**1,376**	3,369	**1,231**	3,173
Trade creditors	**31,816**	33,804	**31,815**	33,804
Corporation tax payable	**1,042**	1,715	**264**	1,505
Group relief payable	**-**	-	**67**	-
Amounts owed to group undertakings	**-**	-	**15,151**	16,110
Other creditors including tax and social security	**8,800**	8,420	**6,653**	5,375
Accruals and deferred income	**29,008**	30,007	**27,528**	27,991
	301,244	77,315	**314,415**	87,958

The bank borrowings of the group are secured by standard securities held by the Bank of Scotland over heritable property and land, and by floating charges over the assets of the company and certain subsidiaries. At the year end the company had banking facilities which were due for renewal on 30 June 2013 and so as a result the bank loans are shown as creditors due within one year. Subsequent to the year end, the company's bank facilities were extended to 31 October 2013.

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Bank loans	**-**	245,790	**-**	246,106
Other creditors	**21,125**	5,000	**21,125**	5,000
	21,125	250,790	**21,125**	251,106

Other creditors due after more than one year are all payable as follows:

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Between one and two years	**5,766**	-	**5,766**	-
Between two to five years	**15,359**	250,790	**15,359**	251,106
	21,125	250,790	**21,125**	251,106

Notes *(continued)*

16 Called up share capital

	2012 £000	2011 £000
Allotted, called up and fully paid		
Ordinary shares of £1 each	**139**	139
'A' ordinary shares of £1 each	**41**	41
	180	180
Shares classified as shareholders' funds	**180**	180

Both classes of share rank pari passu in all respects other than in their entitlement to dividends. The amount of the dividend on ordinary shares may be determined without reference to the amount, if any, of the dividend on the 'A' ordinary shares and may be of a different amount, including a higher amount, and may be declared and paid, notwithstanding that no equivalent dividend on 'A' ordinary shares is declared or paid, or that no dividend on 'A' ordinary shares is declared or paid.

17 Reserves

Group	**Capital redemption reserve £000**	**Revaluation reserve £000**	**Profit and loss account £000**
At beginning of year	60	12,839	94,711
Loss for the financial year	-	-	(748)
Realisation of revaluation reserve	-	(2,114)	2,114
At end of year	**60**	**10,725**	**96,077**
Company			
At beginning of year	60	11,313	80,145
Loss for the financial year	-	-	(2,500)
Realisation of revaluation reserve	-	(588)	588
At end of year	**60**	**10,725**	**78,233**

Notes *(continued)*

18 Reconciliation of movements in shareholders' funds

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Loss for the financial year being net reduction in shareholders' funds	**(748)**	(909)	**(2,500)**	(2,800)
Opening shareholders' funds	**107,790**	108,699	**91,698**	94,498
Closing shareholders' funds	**107,042**	107,790	**89,198**	91,698

19 Contingent liabilities

(i) At the year end the group and company had granted performance bonds and guarantees amounting to £17,476,000 *(2011: £21,559,000)* and £17,868,000 *(2011: £21,490,000)* respectively.

(ii) The company and certain subsidiaries are parties to a cross guarantee given in respect of their bank loans and overdraft. At 30 June 2012 the company had contingent liabilities under the cross guarantee arrangements of £nil *(2011: £nil)*.

(iii) The company has entered into a third party guarantee, under which the maximum contingent liability is £1,225,000 *(2011: £1,225,000)*.

20 Commitments

(i) The group and company had contracted capital commitments at 30 June 2012 of £143,000 *(2011: £nil)*.

(ii) At 30 June 2012 the group and company had annual commitments for assets under non-cancellable operating leases as follows:

	2012	2011
	£000	£000
Operating leases which expire:		
Within one year	**64**	49
In the second to fifth years	**747**	742
More than five years	**-**	203
	811	994

21 Pension schemes

The group contributes to two defined contribution pension schemes, one for the directors and one for other employees. The contributions to the directors' scheme were £180,000 *(2011: £71,000)* and to the employees' scheme were £1,465,000 *(2011: £1,490,000)*.

Contributions amounting to £nil *(2011: £nil)* were payable to the schemes at the year end and are included in creditors.

Notes *(continued)*

22 Related party disclosures

The company is controlled by Stewart Milne.

Directors' loans

Included in other debtors in the group and company at the year end are unsecured, interest free advances to Stewart Milne of £1,367,000 *(2011: £9,676,000)*. This is offset by a balance of £5,000,000 due to Stewart Milne included in other creditors (see below) resulting in a net creditor of £3,633,000 at the year end *(2011: net debtor of £4,633,000)*. The maximum amount outstanding during the year net was a debtor of £5,373,000 *(2011: debtor of £8,992,000)*.

Also included within other debtors in the group and company at the year end is an unsecured, interest free advance to Glenn Allison of £1,078,000 *(2011: £1,078,000)*.

Transactions with related parties

During the year the company sold land to Boatwynd Limited, a company controlled by Stewart Milne for £4,808,000. There was no balance outstanding at 30 June 2012.

During the year the company purchased land from Lombard Merton Trust, a trust in which Stewart Milne is a beneficiary, for a total consideration of £27,050,000 payable over 5 years. The amount due to Lombard Merton Trust and included in other creditors at 30 June 2012 was £18,050,000.

Other balances due to / from related parties

Other debtors include £5,100,000 *(2011: £5,100,000)* due from Union Plaza Limited Partnership, a partnership in which Stewart Milne is a partner. This balance represents an unsecured, interest free loan which is repayable in July 2013 or at a later date at Stewart Milne Group's discretion.

Other creditors of £5,000,000 *(2011: £5,000,000)* represent an amount due to Stewart Milne. This loan is unsecured and interest free, and is repayable in July 2016.

23 Reconciliation of operating profit to net cash (outflow) inflow from operating activities

	2012	2011
	£000	£000
Operating profit	**12,140**	9,682
Share of results of joint ventures	**(630)**	(1,344)
Depreciation on tangible fixed assets	**1,637**	1,879
Amortisation of intangible assets and investments	**573**	899
(Profit) loss on sale of tangible fixed assets	**(115)**	(37)
(Increase) decrease in stocks	**(13,007)**	(14,563)
Decrease (increase) in debtors	**13,935**	(21,737)
Increase (decrease) in creditors	**11,596**	4,773
Net cash (outflow) inflow from operating activities	**26,129**	(20,448)

Notes *(continued)*

24 Analysis of changes in debt

	At 30 June 2011 £000	Cash flow £000	Other non cash changes £000	At 30 June 2012 £000
Cash at bank	12	(4)	-	**8**
Bank loans due within one year	-	16,588	(245,790)	**(229,202)**
Total due within one year	12	16,584	(245,790)	**(229,194)**
Bank loans due greater than one year	(245,790)	-	245,790	**-**
Total	(245,778)	16,584	-	**(229,194)**

25 Reconciliation of net cash flow to movement in debt

	2012 £000	2011 £000
Increase / (decrease) in cash in the year	**16,584**	(40,997)
Change in net debt resulting from cash flows	**16,584**	(40,997)
Net debt at beginning of year	**(245,778)**	(204,781)
Net debt at end of year	**(229,194)**	(245,778)