

Financial Statements GM Mining Limited

For the 17 months to 30 June 2009

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Company information

Company Registration Number	SC 173233
Registered Office	9 Charlotte Square EDINBURGH EH2 4DR
Directors	Sir David E Murray J Donald G Wilson M S McGill (Appointed 5 th March 2010)
Secretary	D W M Horne
Bankers	Bank of Scotland The Mound EDINBURGH EH1 1YZ
Solicitors	Dundas & Wilson Saltire Court 20 Castle Terrace EDINBURGH EH1 2EN
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors 95 Bothwell Street GLASGOW G2 7JZ

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Report of the directors (continued)

The directors present their report and the audited financial statements of the company for the 17 months to 30 June 2009.

Principal activities and business review

The company was formerly engaged in opencast coal mining activities at a small number of sites in Scotland. Following completion of the coal mining activities, the company is now focused on land development at two former opencast coal mines site in Scotland, namely Kingdom Park, Kirkcaldy and Drumshangie, Airdrie.

Results and dividends

The trading results for the period and the company's financial position at the end of the period are shown in the attached financial statements.

There was a profit for the 17 months to 30 June 2009 after taxation amounting to £29,070 (Year ended 31 January 2008: £964,465)

The directors do not recommend the payment of a dividend (Year ended 31 January 2008: £nil).

Directors

The directors who served the company during the period were as follows:

Sir David E Murray
J Donald G Wilson
M S McGill (Appointed 5th March 2010)

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom 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 those 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

Report of the directors (continued)

statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Financial risk management

Foreign currency risk

The company does not enter into foreign currency transactions. The directors therefore consider the company is not exposed to any foreign currency movement risk.

Credit risk

The company is exposed to credit related losses in the event on non-performance by transaction counterparties, but mitigates such risk through its policy of selecting only counterparties with high credit ratings.

Liquidity risk

Operations are financed by a mixture of shareholders' funds and bank borrowings. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the company.

Cashflow risk

The company's policy is to arrange bank overdrafts and loans with a floating rate of interest plus an agreed margin.

Auditors

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

BY ORDER OF THE BOARD



D W M Horne
Company Secretary

Signed 28th April 2010



Report of the independent auditors to the members of GM Mining Limited

We have audited the financial statements of GM Mining Limited for the period ended 30 June 2009 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 21. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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 if, in our opinion, the Directors' Report is not consistent with the financial statements.

In addition we report to you if 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.

Report of the independent auditors to the members of GM Mining Limited (continued)

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 judgements 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2009 and of its profit for the period 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.



GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

GLASGOW

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Signed 28th April 2010

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom accounting standards. The financial statements were prepared on a going concern basis. Given the support of the Murray International Holdings Limited Group, the directors are satisfied that the company has sufficient facilities for the foreseeable future.

Consolidation

The company was, at the end of the period, a subsidiary of another company incorporated in the EU and in accordance with section 228 of the Companies Act 1985, is not required to produce, and has not published, consolidated financial statements.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the period (exclusive of VAT) in respect of delivered goods and services.

Fixed assets

All fixed assets are initially recorded at cost.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is small.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted or, by virtue of Group relieving losses.

Profit and loss account


	Note	17 mths to 30 June 2009 £	12 mths to 31 January 2008 £
Turnover	2	4,000	15,635
Cost of sales		28,537	(412,786)
Gross profit/(loss)		<u>32,537</u>	<u>(397,151)</u>
Other operating charges	3	(30,000)	(34,031)
Less: release of provision for loss on termination of operations	14	36,073	174,100
Operating profit/(loss)	4	<u>38,610</u>	<u>(257,081)</u>
Exceptional profits on sale of fixed assets	1	-	1,398,953
Interest payable and similar charges	6	(830,745)	(904,378)
(Loss)/profit on ordinary activities before taxation		<u>(792,135)</u>	<u>237,494</u>
Tax on (loss)/profit on ordinary activities	7	821,205	726,971
Profit for the financial period		<u><u>29,070</u></u>	<u><u>964,465</u></u>

Balance sheet

	Note	30 June 2009 £	31 January 2008 £
Fixed assets			
Investments	8	-	1
Current assets			
Debtors	9	167,715	112,009
Creditors: amounts falling due within one year	11	(10,884,181)	(13,030,429)
Net current liabilities		(10,716,466)	(12,918,420)
Creditors: amounts falling due over one year	12	(2,300,000)	-
Total assets less current liabilities		<u>(13,016,466)</u>	<u>(12,918,419)</u>
Provisions for liabilities and charges			
Other provisions	14	(178,812)	(305,929)
Net liabilities		<u>(13,195,278)</u>	<u>(13,224,348)</u>
Capital and reserves			
Called-up share capital	17	200	200
Profit and loss account	18	(13,195,478)	(13,224,548)
Shareholders' deficit	19	<u>(13,195,278)</u>	<u>(13,224,348)</u>

These financial statements were approved by the directors on 28th April 2010 and are signed on their behalf by:

Director


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Company Number - SC173233

Notes to the financial statements

1 Exceptional profits

	17 mths to 30 June 2009	12 mths to 31 January 2008
	£	£
Profits on sale of fixed assets	-	1,398,953

2 Turnover

The turnover and loss before tax are attributable to the one principal activity of the company.
An analysis of turnover is given below:

	17 mths to 30 June 2009	12 mths to 31 January 2008
	£	£
United Kingdom	4,000	15,635

3 Other operating (charges)

	17 mths to 30 June 2009	12 mths to 31 January 2008
	£	£
Administrative expenses	(30,000)	(34,031)

4 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	17 mths to 30 June 2009	12 mths to 31 January 2008
	£	£
Depreciation of owned fixed assets	-	13,756
Depreciation of assets held under finance leases and hire purchase agreements	-	26
Audit fees for audit services	12,500	11,870

Notes to the financial statements (continued)

5 Directors and employees

The average number of staff employed by the company during the financial period/year amounted to:

	17 mths to 30 June 2009	12 mths to 31 January 2008
	No	No
Number of administrative staff	-	9
	<u>-</u>	<u>9</u>

The aggregate payroll costs of the above were:

	2009 £	2008 £
Wages and salaries	-	309,463
Social security costs	-	28,027
Other pension costs	-	9,452
	<u>-</u>	<u>346,942</u>

None of the directors received any remuneration from the company during the current period (Year to 31 January 2008 - £nil).

6 Interest payable and similar charges

	17 mths to 30 June 2009 £	12 mths to 31 January 2008 £
Interest payable on bank borrowing	373,555	409,333
Finance charges in respect of finance leases	-	154
Group interest payable	<u>457,190</u>	<u>494,891</u>
	<u>830,745</u>	<u>904,378</u>

Notes to the financial statements (continued)

7 Taxation on ordinary activities

	17 mths to 30 June 2009 £	12 mths to 31 January 2008 £
(a) Analysis of credit in the period/year		
Current tax:		
UK Corporation tax based on the results for the period/year at 28.23% (2008 - 30%)	(239,003)	(664,852)
Adjustment in respect of prior periods	(644,321)	-
Total current tax	(883,324)	(664,852)
Deferred tax:		
Origination and reversal of timing differences	62,119	(62,119)
Tax on loss on ordinary activities	(821,205)	(726,971)

(b) Factors affecting current tax credit

The tax assessed on the loss on ordinary activities for the period/year is the same as the standard rate of corporation tax in the UK of 28.23% (2008 - 30%).

	2009 £	2008 £
(Loss)/profit on ordinary activities before taxation	(792,135)	237,494
(Loss)/profit on ordinary activities before tax at 28.23% (2008 - 30%)	(223,639)	71,248
Income not taxable for tax purposes	-	(638,727)
Expenses not deductible for tax purposes	52	194
Short term timing differences	-	(425,571)
Group relief surrendered before payment	239,025	-
Credit for group relief	(239,003)	-
Capital allowances for the period in excess of depreciation	(15,438)	328,004
Adjustments to tax charge in respect of previous periods	(644,321)	-
Total current tax (note 7(a))	(883,324)	(664,852)

There is an unrecognised deferred tax asset, in relation to unutilised losses and fixed asset timing differences of £195,812 (31 January 2008 - £149,003).

Notes to the financial statements (continued)

8 Investments

	Investments £
Cost	
At 1 February 2008	1
Disposals	(1)
At 31 June 2009	-
Net book value	
At 31 June 2009	-
At 31 January 2008	1

9 Debtors

	30 June 2009	31 January 2008
	£	£
Trade debtors	-	3,634
Amounts owed by group undertakings	167,675	25,676
Other debtors	41	20,580
Deferred tax	-	62,119
	<u>167,716</u>	<u>112,009</u>

10 Deferred tax

	30 June 2009	30 June 2008
	£	£
At beginning of period/year	62,119	-
Profit and loss account movement	(62,119)	62,119
Assets at the end of period/year	<u>-</u>	<u>62,119</u>

The asset relates to decelerated capital allowances.

Notes to the financial statements (continued)

11 Creditors: amounts falling due within one year

	30 June 2009	31 January 2008
	£	£
Bank overdrafts	6,009,450	6,139,394
Trade creditors	-	75,438
Amounts owed to group undertakings	4,816,152	4,103,943
Accruals and deferred income	58,579	411,654
Loan notes	-	2,300,000
	<u>10,884,181</u>	<u>13,030,429</u>

The bank overdraft is secured by a bond and floating charge over all the assets of the company.

12 Creditors - amounts falling due over one year

	17 mths to 30 June 2009	12 mths to 31 January 2008
	£	£
Loan notes	<u>2,300,000</u>	<u>-</u>

13 Pensions

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

14 Other provisions

	Land Restoration Provision	Mining Closure Provision	Total
	£	£	£
At 1 February 2008	275,929	30,000	305,929
Utilised in period	(61,044)	(30,000)	(91,044)
Written back in period	(36,073)	-	(36,073)
At 30 June 2009	<u>178,812</u>	<u>-</u>	<u>178,812</u>

The restoration provision is in respect of costs associated with restoring land disturbed during mining activities. The mining closure provision is in respect of operating losses up to the date of termination of operations.

Notes to the financial statements (continued)

15 Contingent liabilities

At 30 June 2009 the company had made guarantees in favour of its bankers, Bank of Scotland, up to a sum of £181,740 (2008: £631,250) in respect of guarantees provided by the bank in favour of North Lanarkshire Council and the Coal Authority as a condition of the company obtaining a licence to engage in open cast mining operations and fulfilling its obligations under this licence.

The company entered into a guarantee of the bank's borrowings of its ultimate holding company and some of its subsidiary undertakings. The total contingency at 30 June 2009 amounts to £442,026,536 (2008 - £381,551,516). Security for the guarantee consists of a bond and floating charge on the assets of the company.

16 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 8 from disclosing transactions with its parent undertaking.

17 Share capital

Authorised share capital:	30 June 2009		31 January 2008	
	£		£	
1,000 Ordinary shares of £1 each	<u>1,000</u>		<u>1,000</u>	
Allotted, called up and fully paid:	30 June 2009		31 January 2008	
	No	£	No	£
Ordinary shares of £1 each	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>

18 Profit and loss account

	30 June 2009	31 January 2008
	£	£
Balance brought forward	(13,224,548)	(14,189,013)
Retained profit for the financial period/year	29,070	964,465
Balance carried forward	<u>(13,195,478)</u>	<u>(13,224,548)</u>

Notes to the financial statements (continued)

19 Reconciliation of movements in shareholders' deficit

	17 mths to 30 June 2009	12 mths to 31 January 2008
	£	£
Retained profit for the financial period/year	29,070	964,465
Opening shareholders' deficit	(13,224,348)	(14,188,813)
Closing shareholders' deficit	<u>(13,195,278)</u>	<u>(13,224,348)</u>

20 Ultimate parent company

The company's parent undertaking is GM Group Holdings Limited by virtue of its 100% shareholding in the company. The ultimate controlling parent company is Murray International Holdings Limited as a result of its controlling interest in GM Group Holdings Limited.

The directors consider that the ultimate controlling party of the company is Sir David E Murray by virtue of his controlling shareholding in Murray International Holdings Limited.

The largest group of undertakings for which group financial statements have been drawn up is that headed by Murray International Holdings Limited, the consolidated financial statements of which are publicly available.

21 Post Balance Sheet Event

On 21 April 2010, Murray International Holdings Limited and certain of its subsidiaries completed a financial restructuring, details of which are set out in the financial statements of Murray International Holdings Limited for the period ended 30 June 2009.