Moncrieffe (Glasgow) 2 Limited
(formerly Moncrieffe Minerva (Glasgow) Limited)

Directors' report and financial statements

Registered number SC291293

31 December 2007

Contents

Directors' report

The directors submit their report and the financial statements of the company for the year ended 31 December 2007.

Change of name

On 9 September 2008 the company changed its name to Moncrieffe (Glasgow) 2 Limited.

Principal activity

The principal activity of the company during the year was investment in companies involved in the management of commercial properties. The directors intend to continue with this activity in the forthcoming year.

Results and dividends

The results for the year are shown in the profit and loss account on page 5. The profit on ordinary activities after taxation for the year was £197,956 *(2006: loss of £101,600)*.

The directors do not propose payment of any dividend.

Directors

The directors of the company who held office during the year and to date were:

S Barclay	(resigned 10 August 2007)
SH Bell	(appointed 14 March 2008; resigned 6 June 2008)
NS Burnett	(appointed 2 February 2009)
MC Cherry	(resigned 30 June 2008)
PS Dickson	(appointed 10 August 2007; resigned 8 January 2008)
IH Ezekiel	(resigned 30 June 2008)
R Gillies	
AH Gloag	
S Hasan	(resigned 30 June 2008)
AJN Hewitt	(appointed 26 November 2007; resigned 2 February 2009)
GJ MacDonald	(appointed 6 June 2008; resigned 2 February 2009)
DA McCrory	(appointed 30 September 2008) (alternate)
WC O'Hara	

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

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

W.C. O'Hara
Director

18 March 2009

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 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

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

Independent auditors' report to the members of Moncrieffe (Glasgow) 2 Limited

We have audited the financial statements of Moncrieffe (Glasgow) 2 Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, 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

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 December 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.

Independent auditors' report to the members of Moncrieffe (Glasgow) 2 Limited
(continued)

Emphasis of matter – uncertainty relating to going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company breached its loan to value bank covenant subsequent to the year end and its facilities became payable on demand. The company is currently negotiating the revision of its bank loan covenants with its bankers but to date has not finalised the terms of such a revision. In the short term the shareholder has indicated that they will support the company's operating cash requirements. These matters, as more fully explained in note 1, indicate the existence of material uncertainties which may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

18 March 2009

Profit and loss account
for the year ended 31 December 2007

	Note	Year ended 31 December 2007 £	15 months ended 31 December 2006 £
Turnover	2	**150,000**	159,452
Cost of sales		**(150,000)**	(159,452)
Gross profit		-	-
Administrative expenses		**(108,018)**	(101,761)
Operating loss		**(108,018)**	(101,761)
Interest receivable and similar income	3	**3,394,233**	2,795,780
Interest payable and similar charges	4	**(3,059,617)**	(2,795,619)
Profit/(loss) on ordinary activities before taxation	5	**226,598**	(101,600)
Tax on profit/(loss) on ordinary activities	7	**(28,642)**	-
Profit/(loss) for the financial year	13	**197,956**	(101,600)

All activities of the company are continuing operations.

There are no gains or losses other than the profit for the financial year and the loss for the previous financial year.

Balance sheet
At 31 December 2007

	Note	**2007**	**2007**	2006	2006
		£	**£**	£	£
Fixed assets					
Investments	*8*		**53,375,130**		48,093,449
Current assets					
Debtors	*9*	**772,667**		814,147	
Cash at bank		**50,264**		75,936	
		822,931		890,083	
Creditors: amounts falling due within one year	*10*	**(803,375)**		(3,008,685)	
Net current assets/(liabilities)			**19,556**		(2,118,602)
Creditors: amounts falling due more than one year	*11*		**(53,298,328)**		(46,076,445)
Net assets/(liabilities)			**96,358**		(101,598)
Capital and reserves					
Share capital	*12*		**2**		2
Profit and loss account	*13*		**96,356**		(101,600)
Shareholders' funds/(deficit)	*14*		**96,358**		(101,598)

These financial statements were approved by the Board of Directors on 18 March 2009 and were signed on its behalf by:

WC O'Hara
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

Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons:

Borrowing facilities

The company breached its loan to value bank covenant subsequent to the year end and consequently its facilities became repayable on demand. The company is currently in discussion with its bankers to agree revised covenants in relation to its bank loan but to date these have not been agreed.

Cash flow forecasts

The Directors have prepared cash flow forecasts for the company for a period of 12 months from the date of authorisation of these financial statements. The company's forecasts and projections reflect the Directors' plans for the coming year and include expected interest income from investments the receipt of which is dependent on the trading performance of its underlying joint venture investments. Forecasts prepared on this basis show that the company should be able to operate within its existing loan facility subject to agreeing revised covenants. However given the current economic conditions there can be no certainty over the timing or amount of these cash inflows.

The directors have concluded that the combination of these circumstances represents a material uncertainty that may cast significant doubt upon the company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless after making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial statements.

Cash flow statement

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

Taxation

The charge for taxation is based on the profit for the period 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.

Fixed asset investments

Investments are stated at cost less any permanent impairment in value.

Capital instruments

In accordance with FRS4, finance costs are charged to the profit and loss account over the life of the loan.

2 Turnover

The turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

Notes *(continued)*

3 Interest receivable and similar income

	Year ended 31 December 2007 £	15 months ended 31 December 2006 £
Bank interest receivable	**11,403**	21,291
"A" Loan stock interest receivable	**3,382,830**	2,774,489
	3,394,233	2,795,780

4 Interest payable and similar charges

	Year ended 31 December 2007 £	15 months ended 31 December 2006 £
On bank loans and overdrafts	**2,929,867**	2,665,869
Loan fees amortised in accordance with FRS4	**129,750**	129,750
	3,059,617	2,795,619

5 Profit/(loss) on ordinary activities before taxation

	Year ended 31 December 2007 £	15 months ended 31 December 2006 £
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Auditors' remuneration – audit of these financial statements	**6,210**	6,000

6 Directors and employees

The average number of persons employed by the company during the period, analysed by category was as follows:

	Year ended 31 December 2007 Number	15 months ended 31 December 2006 Number
Directors	**8**	8

No director received any remuneration from the company in the year. The directors were the only employees of the company.

7 Taxation

	Year ended 31 December 2007 £	15 months ended 31 December 2006 £
UK corporation tax		
Current tax on income for the year	**28,642**	-
Total current tax being tax on profit/(loss) on ordinary activities	**28,642**	-

Notes *(continued)*

7 Taxation *(continued)*

Factors affecting the tax charge for the current year

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

	Year to 31 December 2007 £	15 months to 31 December 2006 £
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	**226,598**	(101,600)
Current tax at 30%	**67,979**	(30,480)
Effects of:		
Expenses not deductible for tax purposes	**-**	7,725
Effect of margin relief	**(14,857)**	-
Tax losses carried forward	**-**	22,755
Tax losses utilised	**(24,480)**	-
Total current tax charge (see above)	**28,642**	-

8 Investments

		Interest in joint ventures		
	Shares £	**Series 'A' Loan Stock £**	**Series 'B' Loan Stock £**	**Total £**
Cost and net book value				
At 31 December 2006	50	40,881,564	7,211,835	48,093,449
Additions during the year	-	4,489,429	792,252	5,281,681
At 31 December 2007	**50**	**45,370,993**	**8,004,087**	**53,375,130**

The loans consist of "A" and "B" loan stock, advanced to the company's joint ventures and repayable in 2010. Interest is payable at a rate of 2.025% above LIBOR on the "A" loan stock. No interest is payable on the "B" loan stock.

The principal undertakings in which the company's interest at the year end is more than 20% is as follows:

	Company of incorporation £	**Proportion of nominal value of issued share capital held £**	**Principal activity**
Kenmore Capital Skypark Limited	Scotland	50%	Property investment
Kenmore Capital Skypark 2 Limited	Scotland	50%	Property investment

Notes *(continued)*

9 Debtors

	2007 £	2006 £
Trade debtors	**37,500**	159,452
Other debtors	**735,165**	654,693
Called up share capital unpaid	**2**	2
	772,667	814,147

10 Creditors: amounts falling due within one year

	2007 £	2006 £
Bank loans (note 11)	**-**	2,196,010
Corporation tax	**28,642**	-
Accruals	**774,733**	812,675
	803,375	3,008,685

11 Creditors: amounts falling due more than one year

	2007 £	2006 £
Bank loans	**44,037,800**	37,940,445
Shareholders' loans	**9,260,528**	8,136,000
	53,298,328	40,076,445

The company has three bank loans which bear interest at between 1.5% - 3% over LIBOR and are secured by a bond and floating charge over the whole assets of the company. The bank loans are repayable in full in December 2010.

In accordance with FRS 4 bank loans are stated net of finance costs of £389,250 *(2006: £579,000).*

	2007 £	2006 £
Debt can be analysed as falling due:		
- In one year or less, or on demand	**-**	2,196,010
- Between one and two years	**-**	-
- Between two and five years	**44,427,050**	38,459,445
- Finance costs	**(389,250)**	(519,000)
	44,037,800	40,136,455

Notes *(continued)*

12 Called up share capital

	2007	2006
	£	£
Authorised		
Ordinary 'A' shares of £1 each	50	50
Ordinary 'B' shares of £1 each	50	50
	100	100
Allotted, called up and unpaid		
Ordinary 'A' shares of £1 each	1	1
Ordinary 'B' shares of £1 each	1	1
	2	2

13 Profit and loss account

	£
At beginning of year	(101,600)
Profit for the year	197,956
At end of year	**96,356**

14 Reconciliation of movements in shareholders' funds/(deficit)

	2007	2006
	£	£
Opening shareholders' deficit	(101,598)	-
Profit/(loss) for the financial year	197,956	(101,600)
Share capital issued	-	2
Closing shareholders' funds/(deficit)	**96,358**	(101,598)

15 Related party disclosures

Moncrieffe Holdings Limited, the ultimate parent company of Moncrieffe (Glasgow) Limited, and Minerva PLC, the ultimate parent company of Minerva (Skypark) Limited, have each advanced interest free loans of £562,264 *(2006: £4,068,000)* to the company in the year. These loans remained outstanding at the year end.

Management fees of £150,000 *(2006: £159,452)* were payable to Paradigm Real Estate Manager Limited in the year, a company of which Anne Gloag, Ramsay Gillies and Bill O'Hara are also directors.

During the year the company invested £4,489,429 *(2006: £40,881,614)* and £792,252 *(2006: £7,211,835)* in Series 'A' Loan stock 2010 and Series 'B' Loan stock 2010 respectively in its joint venture company Kenmore Capital Skypark Limited. Interest of £3,382,830 was receivable on the 'A' series loan stock of which £114,594 was included in other debtors at the year end.

16 Post balance sheet event

At the year end the company was a joint venture between Moncrieffe (Glasgow) Limited and Minerva (Skypark) Limited. In June 2008, Moncrieffe (Glasgow) Limited acquired the remaining 50% of the issued share capital from Minerva (Skypark) Limited. The company is now a 100% subsidiary of Moncrieffe (Glasgow) Limited.