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

Directors' report and financial statements

Registered number SC291293

31 December 2008

Contents

Directors' report

The directors submit their report and the financial statements of the company for the year ended 31 December 2008.

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 loss on ordinary activities after taxation for the year was £614,697 *(2007: profit of £197,956)*.

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:

NS Burnett	(appointed 2 February 2009)
R Gillies	
AH Gloag	
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

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

By order of the board

W.C. O'Hara
Director

30 October 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 Standardsand 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 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 2008 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 2008 and of its loss 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 – 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 during the year 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. This matter together with other matters explained in note 1 indicates the existence of a material uncertainty 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.

Emphasis of matter – carrying value of investments

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 uncertainty over the carrying value of the company's investments in joint venture companies which totalled £54,317,685. This has arisen due to uncertainties over the ability of the joint ventures to continue as going concerns. The financial statements do not include the adjustments that would result if an impairment was required to be provided against the carrying amount of these investments.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

30 October 2009

Profit and loss account
for the year ended 31 December 2008

	Note	**2008** **£**	2007 £
Turnover	*2*	**150,000**	150,000
Cost of sales		**(181,625)**	(150,000)
Gross loss		**(31,625)**	-
Administrative expenses		**(776,940)**	(108,018)
Operating loss		**(808,565)**	(108,018)
Interest receivable and similar income	*3*	**3,122,515**	3,394,233
Interest payable and similar charges	*4*	**(2,928,647)**	(3,059,617)
(Loss)/profit on ordinary activities before taxation	*5*	**(614,697)**	226,598
Tax on (loss)/profit on ordinary activities	*7*	**-**	(28,642)
(Loss)/profit for the financial year	*13*	**(614,697)**	197,956

All activities of the company are continuing operations.

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

Balance sheet
At 31 December 2008

	Note	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Investments	8		54,317,685		53,375,130
Current assets					
Debtors	9	706,707		772,667	
Cash at bank		4,674		50,264	
		711,381		822,931	
Creditors: amounts falling due within one year	10	(45,782,506)		(803,375)	
Net current (liabilities)/assets			(45,071,125)		19,556
Creditors: amounts falling due more than one year	11		(9,764,899)		(53,298,328)
Net (deficit)/ assets			(518,339)		96,358
Capital and reserves					
Share capital	12		2		2
Profit and loss account	13		(518,341)		96,356
Shareholders' (deficit)/funds	14		(518,339)		96,358

These financial statements were approved by the Board of Directors on 30/10/09 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

The group has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Moncrieffe Holdings Limited, within which this group is included, can be obtained from the address in note 16.

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 during the year 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, assuming they remain available and 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.

Carrying value of investments

The company holds 50% of the shares of two joint venture companies and has made loans to these joint venture companies. The carrying value of these investments in the company's balance sheet at 31 December 2008 was £54,317,685 and the directors have concluded as 31 December 2008 that there has been no permanent impairment of these amounts. The financial statements of each of the joint venture companies disclose that there is significant doubt over the continuation of those companies as going concerns and there is therefore uncertainty over the carrying value of the investments in the financial statements. The financial statements of each of the joint venture companies disclose that their directors have a reasonable expectation that the companies will be able to continue in operational existence for the foreseeable future and the going concern basis has therefore been adopted in the preparation of their financial statements. Were the joint venture companies unable to continue as going concerns the company's investments would have to be written down to reflect an impairment of its joint venture investments as a result of the joint ventures being no longer going concerns.

Notes
(forming part of 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.

Notes *(continued)*

2 Turnover

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

3 Interest receivable and similar income

	2008 £	2007 £
Bank interest receivable	**7,878**	11,403
"A" Loan stock interest receivable	**3,114,637**	3,382,830
	3,122,515	3,394,233

4 Interest payable and similar charges

	2008 £	2007 £
On bank loans and overdrafts	**2,798,897**	2,929,867
Loan fees amortised in accordance with FRS4	**129,750**	129,750
	2,928,647	3,059,617

5 (Loss)/profit on ordinary activities before taxation

	2008 £	2007 £
(Loss)/profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration – audit of these financial statements	**6,210**	6,210

6 Directors and employees

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

	2008 Number	2007 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

	2008 £	2007 £
UK corporation tax		
Current tax on income for the year	-	28,642
Total current tax being tax on (loss)/profit 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 28.5% (*2007: 30%*). The differences are explained below.

	2008	2007
	£	£
Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	**(614,697)**	226,598
Current tax at 28.5%	**(175,189)**	67,979
Effects of:		
Expenses not deductible for tax purposes	**6,280**	-
Effect of margin relief	-	(14,857)
Tax losses carried forward	**168,909**	-
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				
At beginning of year	50	45,370,993	8,004,087	53,375,130
Additions during the year	-	804,077	138,478	942,555
At 31 December 2008	**50**	**46,175,070**	**8,142,565**	**54,317,685**
Net book value				
At 31 December 2008	**50**	**46,175,070**	**8,142,565**	**54,317,685**
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 7.04% 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% are 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

	2008 £	2007 £
Called up share capital unpaid	**2**	2
Trade debtors	**131,250**	37,500
Other debtors	**542,130**	735,165
Amounts owed by group undertakings	**33,325**	-
	706,707	772,667

10 Creditors: amounts falling due within one year

	2008 £	2007 £
Bank loans (note 11)	**44,486,886**	-
Corporation tax	**-**	28,642
Accruals	**839,474**	774,733
Amounts owed to fellow subsidiary	**456,146**	-
	45,782,506	803,375

11 Creditors: amounts falling due more than one year

	2008 £	2007 £
Bank loans (secured)	**-**	44,037,800
Shareholders' loan	**9,764,899**	9,260,528
	9,764,899	53,298,328

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 were repayable in full in December 2010 however during the year the company breached its loan to value covenant and accordingly the loans are repayable on demand.

In accordance with FRS 4 bank loans are stated net of finance costs of £259,500 *(2007: £389,250).*

	2008 £	2007 £
Debt can be analysed as falling due:		
- In one year or less, or on demand	**44,746,386**	-
- Between one and two years	**-**	-
- Between two and five years	**-**	44,427,050
- Finance costs	**(259,500)**	(389,250)
	44,486,886	44,037,800

Notes *(continued)*

12 Called up share capital

	2008	2007
	£	£
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	96,356
Loss for the year	(614,697)
At end of year	**(518,341)**

14 Reconciliation of movements in shareholders' deficit

	2008	2007
	£	£
Opening shareholders' funds/(deficit)	**96,358**	(101,598)
(Loss)/profit for the financial year	**(614,697)**	197,956
Closing shareholders'(deficit)/funds	**(518,339)**	96,358

Notes *(continued)*

15 Related party disclosures

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.

Management fees of £150,000 *(2007: £150,000)* 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 £804,077 *(2007: £4,489,429)* and £138,478 *(2007: £792,252)* in Series 'A' Loan stock 2010 and Series 'B' Loan stock 2010 respectively in its joint venture company Kenmore Capital Skypark Limited. Interest of £3,724,277 was receivable on the 'A' series loan stock of which £534,066 was included in other debtors at the year end after a provision of £609,640.

16 Ultimate parent company

The company's ultimate parent is Moncrieffe Holdings Limited which is registered in Scotland. Copies of the group financial statements of this company can be obtained from the Registrar of Companies, Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh EH3 9FF.