

Moncrieffe (Glasgow) 2 Limited

**Directors' report and financial
statements**

Registered number SC291293

31 December 2009

THURSDAY



S121ANUN

SCT

30/09/2010

123

COMPANIES HOUSE

Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	2
Independent auditors' report to the members of Moncrieffe (Glasgow) 2 Limited	3
Profit and loss account	4
Balance sheet	5
Notes	6

Directors' report

The directors submit their report and the financial statements of the company for the year ended 31 December 2009.

Principal activity

The principal activity of the company during the year was investment in companies involved in the management of commercial properties. During the year the other shareholder in the company's joint ventures was placed in administration. As a consequence the company's bankers, who also provided funds to the other shareholder, instructed the properties, held by the underlying unit trusts in which the company's joint ventures held interests, be sold. The company's investments in its joint ventures have been written down to reflect the expected net proceeds from these sales. As this is the company's only activity and the directors do not intend to commence an alternative activity they have not prepared the financial statements on the going concern basis. The effect of this is explained in note 1 to the financial statements.

Results and dividends

The results for the year are shown in the profit and loss account on page 4. The loss on ordinary activities after taxation for the year was £23,441,570 (2008: loss of £614,697).

The directors do not propose payment of any dividend.

Directors

The directors of the company who held office during the year 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	
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

29 September 2010

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).

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 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 judgments 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. As stated in note 1 the financial statements have not been prepared on a going concern basis.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 2009 set out on pages 4 to 11. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice). These financial statements have not been prepared on the going concern basis for the reasons explained in note 1 to the financial statements.

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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 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/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

L Bennett, (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

30 September 2010

Profit and loss account
for the year ended 31 December 2009

	<i>Note</i>	2009 £	2008 £
Turnover	2	150,000	150,000
Cost of sales		(203,266)	(181,625)
Gross loss		(53,266)	(31,625)
Administrative expenses		(29,225)	(776,940)
Operating loss		(82,491)	(808,565)
Amounts written off investments	8	(22,710,445)	-
Interest receivable and similar income	3	2,400,198	3,122,515
Interest payable and similar charges	4	(3,048,832)	(2,928,647)
Loss on ordinary activities before taxation	5	(23,441,570)	(614,697)
Tax on loss on ordinary activities	7	-	-
Loss for the financial year	13	(23,441,570)	(614,697)

The company's activities are not continuing.

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

Balance sheet

At 31 December 2009

	Note	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Investments	8		31,914,509		54,317,685
Current assets					
Debtors	9	808,395		706,707	
Cash at bank		15,810		4,674	
		<u>824,205</u>		<u>711,381</u>	
Creditors: amounts falling due within one year	10	<u>(46,738,226)</u>		<u>(45,782,506)</u>	
Net current liabilities			(45,914,021)		(45,071,125)
Total assets less current liabilities			(13,999,512)		9,246,560
Creditors: amounts falling due more than one year	11		(9,960,400)		(9,764,899)
Net liabilities			(23,959,912)		(518,339)
Capital and reserves					
Share capital	12		2		2
Profit and loss account	13		(23,959,914)		(518,341)
Shareholders' deficit	14		(23,959,912)		(518,339)

These financial statements were approved by the Board of Directors on 29 September 2010 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.

In previous years the financial statements have been prepared on a going concern basis. However during the year the other shareholder in the company's joint ventures was placed in administration. As a consequence the company's bankers, who also provided funds to the other shareholder, instructed the properties, held by the underlying unit trusts in which the company's joint ventures held interests, be sold. The company's investments in its joint ventures have been written down to reflect the expected net proceeds from these sales. As this is the company's only activity and the directors do not intend to commence an alternative activity they have not prepared the financial statements on the going concern basis. The effect of this was to write down the carrying value of the company's investments by £22,710,445 to their expected recoverable amounts of £31,914,509. No adjustments to any other assets or liabilities were necessary.

Borrowing facilities

The company breached its loan to value bank covenant in 2008 and consequently its facilities became repayable on demand. The company remains 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 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

(forming part of the financial statements)

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

	2009 £	2008 £
Bank interest receivable	198	7,878
"A" Loan stock interest receivable	2,400,000	3,114,637
	<hr/>	<hr/>
	2,400,198	3,122,515
	<hr/>	<hr/>

4 Interest payable and similar charges

	2009 £	2008 £
On bank loans and overdrafts	2,789,332	2,798,897
Loan fees amortised in accordance with FRS4	259,500	129,750
	<hr/>	<hr/>
	3,048,832	2,928,647
	<hr/>	<hr/>

5 Loss on ordinary activities before taxation

	2009 £	2008 £
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration – audit of these financial statements	2,830	2,750
Amounts written off investment in joint venture	22,710,445	-
	<hr/>	<hr/>

Notes (continued)

6 Directors and employees

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

	2009 Number	2008 Number
Directors	5	8

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

7 Taxation

	2009 £	2008 £
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Total current tax being tax on loss on ordinary activities	-	-

Factors affecting the tax credit for the current year

The current tax credit for the year is lower than the standard rate of corporation tax in the UK of 28% (2008: 28.5%). The differences are explained below.

	2009 £	2008 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(23,441,570)	(614,697)
Current tax at 28%	(6,563,640)	(175,189)
<i>Effects of:</i>		
Amounts written off investments	6,358,925	-
Expenses not deductible for tax purposes	-	6,280
Tax losses carried forward	204,715	168,909
Total current tax credit (see above)	-	-

Notes (continued)

8 Investments

	Interest in joint ventures			
	Shares £	Series 'A' Loan Stock £	Series 'B' Loan Stock £	Total £
Cost				
At beginning of year	50	46,175,070	8,142,565	54,317,685
Additions during the year	-	-	307,269	307,269
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2009	50	46,175,070	8,449,834	54,624,954
	<hr/>	<hr/>	<hr/>	<hr/>
Provisions				
Impairment charge for the year	-	(14,260,611)	(8,449,834)	(22,710,445)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2009	50	31,914,459	-	31,914,509
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	50	46,175,070	8,142,565	54,317,685
	<hr/>	<hr/>	<hr/>	<hr/>

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. As explained more fully in note 1 the company's joint ventures are not considered to be going concerns and the investment has been written down to its expected recoverable amount.

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

9 Debtors

	2009 £	2008 £
Called up share capital unpaid	2	2
Trade debtors	43,123	131,250
Prepayments and accrued income	534,066	542,130
Other debtors	2,375	-
Amounts owed by group undertakings	33,326	33,325
Amounts owed by parent undertakings	195,503	-
	<hr/>	<hr/>
	808,395	706,707
	<hr/>	<hr/>

Notes (continued)

10 Creditors: amounts falling due within one year

	2009 £	2008 £
Bank loans (note 11)	44,746,386	44,486,886
Accruals	739,424	839,474
Amounts owed to group undertakings	1,252,416	456,146
	<u>46,738,226</u>	<u>45,782,506</u>

11 Creditors: amounts falling due more than one year

	2009 £	2008 £
Shareholders' loan	<u>9,960,400</u>	<u>9,764,899</u>

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 £nil (2008: £259,500).

	2009 £	2008 £
Debt can be analysed as falling due:		
- In one year or less, or on demand	44,746,386	44,746,386
- Finance costs	-	(259,500)
	<u>44,746,386</u>	<u>44,486,886</u>

12 Called up share capital

	2009 £	2008 £
<i>Authorised</i>		
Ordinary 'A' shares of £1 each	50	50
Ordinary 'B' shares of £1 each	50	50
	<u>100</u>	<u>100</u>
<i>Allotted, called up and unpaid</i>		
Ordinary 'A' shares of £1 each	1	1
Ordinary 'B' shares of £1 each	1	1
	<u>2</u>	<u>2</u>

Notes *(continued)*

13 Profit and loss account

	£
At beginning of year	(518,344)
Loss for the year	(23,441,570)
	<hr/>
At end of year	(23,959,914)
	<hr/>

14 Reconciliation of movements in shareholders' deficit

	2009 £	2008 £
Opening shareholders' (deficit)/funds	(518,342)	96,356
Loss for the financial year	(23,441,570)	(614,697)
	<hr/>	<hr/>
Closing shareholders' deficit	(23,959,912)	(518,341)
	<hr/>	<hr/>

15 Related party disclosures

Management fees of £150,000 (2008: £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 £nil (2008: £804,077) and £307,269 (2008: £138,478) 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 accrued income at the year end.

16 Ultimate parent company

The immediate parent company is Moncrieffe Glasgow Limited. Consolidated accounts are not prepared for this 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.