MCV Edgbaston Limited

Annual report and financial statements

for the year to 31 December 2007
Registered number 04815435

Directors' report and financial statements

Contents

Directors' report

The directors have pleasure in submitting their annual report and audited financial statements for the year to 31 December 2007.

Principal activities

The principal activity of the company is property trading.

Results and dividends

The profit for the financial year amounted to £88,441 (2006: £2,340,382). The total dividend for the year amounted to £1,000,000 (2006: £929,499).

Review of the year

The company did not hold any trading properties during the year.

Subsequent to the year end trading conditions have worsened considerably and, while the company no longer holds a trading asset, it requires support from its parent company in order for it to meet its outstanding liabilities as they fall due. The material uncertainty surrounding the ability of the parent company to provide continued support is explained fully in note 1 to the accounts.

Directors

The directors who served during the year were as follows:

JAB Kennedy
RWM Brook
J C Blakemore

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.

Political and charitable contributions

The company made no political contributions or charitable donations during the year.

Auditors

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

By order of the board

JAB Kennedy
Director

33 Castle Street
Edinburgh
31 January 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 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.

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 its 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MCV EDGBASTON LIMITED

We have audited the financial statements of MCV Edgbaston Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. 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 Annual Report and the financial statements in accordance with applicable 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 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 group's and 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 31 December 2007 and of it's 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.

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 financial statements have been prepared on a going concern basis, the validity of which depends upon the recoverability of the amounts due from Melville Crescent Ventures Limited. This condition, along with the other matters explained in note 1 to the financial statements, indicate the existence of material uncertainties which may cast significant doubt about 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.

Ernst & Young LLP
Ernst & Young LLP
Registered auditor
Edinburgh
31 January 2009

Profit and loss account
for the year to 31 December 2007

	Notes	2007 £	2006 £
Turnover	2	**84,988**	16,250,280
Cost of sales		**(96,365)**	(13,104,393)
Gross (loss)/profit		**(11,377)**	3,145,887
Administrative Expenses		**(1,509)**	(24,710)
Operating (loss)/profit	3-4	**(12,886)**	3,121,177
Interest receivable	5	**166,684**	171,975
Interest payable and similar charges	6	**(27,454)**	(292,499)
Profit on ordinary activities before taxation		**126,344**	3,000,653
Tax on ordinary activities	7	**(37,903)**	(660,271)
Profit for the financial year	11	**88,441**	2,340,382

There are no recognised gains and losses other than the profit attributable to shareholders of the company of £88,441 (2006: £2,340,382) for the year to 31 December 2007.

The profit for the financial year has been derived from continuing activities.

There is no material difference between results as stated and results prepared on a historical cost basis.

Balance sheet
as at 31 December 2007

	Note	2007 £	2006 £
Current assets			
Debtors	8	2,165,838	3,199,709
Cash at bank		11,917	15,044
		2,177,755	3,214,753
Creditors: amounts falling due within one year	9	(636,897)	(762,336)
Net assets		1,540,858	2,452,417
Capital and reserves			
Called up share capital	10	2	2
Profit and loss account	11	1,540,856	2,452,415
Shareholders' funds	12	1,540,858	2,452,417

These financial statements were approved by the board of directors on 31 January 2009 and were signed on its behalf by:

JAB Kennedy
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 financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and in accordance with applicable Accounting Standards.

Going concern

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future and be able to meet its liabilities as they fall due. At 31 December 2007, the company had net assets of £1,541,000 including and amount of £1,927,000 owed by its parent company, Melville Crescent Ventures Limited ('Melville Crescent'). Melville Crescent is, in turn, reliant on the continuing support of its bankers and the ultimate joint venture owners, Eldon Street (Birchin) Limited and Kenmore Investments Ltd, to meet its working capital requirements until the development and sale of the one remaining property in the group is completed.

The ultimate parent of Eldon Street (Birchin) Limited is Lehman Brothers UK Holdings Limited ("Lehman Brothers") which was placed into administration after the balance sheet date. The administrator of Lehman Brothers has indicated that Eldon Street (Birchin) Limited will no longer continue to support Melville Crescent. The JV partners are in negotiation currently to resolve the issue of continued funding. While negotiations continue, the directors of Kenmore have indicated that it is their current intention, for at least 12 months from the date of approval of these financial statements, to continue to make available sufficient funds, by way of short-term loans and until the equity position is resolved, as are needed by Melville Crescent (whilst it continues to have an interest in the company) to enable it to continue trading and to meet its day to day commitments and in particular to not seek repayment of the amounts currently made available. The ability of Kenmore to provide this support depends, in turn, on it continuing to have access to sufficient working capital. The nature of Kenmore's business is such that cash inflows are generated ultimately from rental income and property sales. The directors of Kenmore have also made Melville Crescent aware that Kenmore's banking facilities are subject to financial covenants and other conditions which are sensitive to changes in projected cash flows, the value of properties and movements in interest rates. Given the current economic conditions there can be no certainty over the timing or amount of these cash inflows or of the value of properties, and therefore, over the ability of Kenmore to be able to continue to provide financial support to Melville Crescent as intended.

With regard to its banking facilities, the group is in frequent contact with its bankers and has, to date, received the bank's support. The facility in respect of a property at Port Talbot has been renewed on a short term basis and is due for review on 31 March 2009. While the relationship with the bank remains positive, and the group has been successful in securing a lease with a major tenant on a long term basis, the directors of Melville Crescent acknowledge that in the current economic climate there can be no guarantee that bank support will be ongoing.

On this basis the directors of Melville Crescent consider that Kenmore and the group's bankers will continue to provide sufficient financial support to enable the company to continue in operational existence for the foreseeable future and to meet its liabilities as they fall due. Accordingly the directors of the company have concluded that the amounts owed by Melville Crescent are recoverable and that it is appropriate that the financial statements continue to be prepared on a going concern basis. However, in reaching that conclusion the directors have considered the material uncertainties described above which may cast significant doubt on the recoverability of this balance and consequently on the company's ability to continue as a going concern and, therefore, to continue to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include any adjustments that would result from the balance being irrecoverable and the going concern basis ceasing to be appropriate.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that its parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Melville Crescent Ventures Limited, the company 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 Melville Crescent Ventures Limited, within which the company is included, can be obtained from the address given in note 14.

Deferred 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. No deferred tax is provided on capital allowances in respect of assets not subject to depreciation. No provision is made in the financial statements for taxation which may become payable if investment properties held for long term retention were disposed of at their revalued amounts.

2 Turnover

Turnover is attributable to the receipt of rental income, related service charge income and disposal of trading properties.

3 Operating (loss)/profit

	2007	2006
	£	£
Operating (loss)/profit is stated after charging		
Auditors' remuneration	**1,500**	1,500

4 Staff costs and numbers

The directors received no remuneration for their services to the company. Apart from the directors, there were no employees during the year (2006: nil).

5 Interest receivable

	2007	2006
	£	£
Bank interest	**994**	1,809
Interest receivable from parent undertaking	**165,690**	2,933
Interest receivable from fellow subsidiary undertaking	**-**	167,233
	166,684	171,975

Notes *(continued)*

6 Interest payable and similar charges

	2007	2006
	£	£
Loans and overdrafts	-	261,140
Interest payable to related parties	27,196	25,656
Other interest	258	5,703
	27,454	292,499

7 Tax charge on profit on ordinary activities

	2007	2006
	£	£
UK corporation tax		
Current tax on income for the period	37,903	571,039
Adjustments in respect of prior periods	-	89,232
	37,903	660,271

Factors affecting the tax charge for the current period
The current tax charge is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2007	2006
Current tax reconciliation	£	£
Profit on ordinary activities before tax	126,344	3,000,653
Current tax at 30%	37,903	900,196
Effects of:		
Group relief received	-	(329,157)
Adjustments in respect of prior periods	-	89,232
Current tax charge / (credit) (see above)	37,903	660,271

8 Debtors

	2007	2006
	£	£
Trade debtors	223,767	115,201
Amounts due from parent company undertaking	1,927,190	51,814
Amounts due from fellow subsidiary undertaking	-	2,967,792
Sundry debtor	14,881	64,902
	2,165,838	3,199,709

Notes *(continued)*

9 **Creditors:** amounts falling due within one year

	2007	2006
	£	£
Trade creditors	**130,263**	63,584
Amount due to related parties	**480,455**	453,259
Amount due to fellow subsidiary undertaking	**-**	13,356
Corporation tax	**23,942**	181,039
Sundry creditors	**-**	17,978
Accruals and deferred income	**2,237**	33,120
	636,897	762,336

10 Called up share capital

	Authorised	Allotted and called up
	£	£
As at 31 December 2006 & 2007		
Ordinary shares of £1 each	**100**	**2**

11 Profit and loss account

	2007	2006
	£	£
At 1 January	**2,452,415**	1,041,532
Profit for the financial year	**88,441**	2,340,382
Dividend paid	**(1,000,000)**	(929,499)
At 31 December	**1,540,856**	2,452,415

12 Reconciliation of movements in shareholders' funds

	2007	2006
	£	£
Opening shareholders' funds	**2,452,417**	1,041,534
Profit for the financial year	**88,441**	2,340,382
Dividend paid	**(1,000,000)**	(929,499)
Closing shareholders' funds	**1,540,858**	2,452,417

Notes *(continued)*

13 Related party transactions

	2007	2006
Outstanding loan balances due to related parties are:	**£**	£
Kenmore Investments Ltd	**480,455**	453,259
Eldon Street (Birchin)	**-**	-
	480,455	453,259
Interest paid on the above was:		
Kenmore Investments Ltd	**27,196**	25,656

Amount due to related party totalling £480,455 represents liability due to Kenmore Investments Limited, one of the joint venture partners of Melville Crescent Ventures Limited. The liability due Eldon Street (Birchin) Limited was repaid during 2006 following the disposal of the property. These liabilities resulted from Kenmore Investments Limited and Eldon Street (Birchin) Limited providing finance to MCV Edgbaston Limited to assist the purchase of the trading property. All transactions with both parties have been at arms length throughout the financial year.

14 Ultimate parent undertaking

The company is a wholly owned subsidiary undertaking of Melville Crescent Ventures Limited, incorporated in England and Wales. Melville Crescent Ventures Limited is a joint venture between Kenmore Investments Limited and Eldon Street (Birchin) Limited. The consolidated financial statements of Melville Crescent Ventures Limited are available to the public and may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.