

**Block Holdings Limited**

**Directors' report and consolidated  
financial statements**

**Registered number SC229482**

**31 December 2007**

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## Directors' report

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

### Principal activities

The principal activity of the group during the year was property letting. The directors intend to continue with this activity in the forthcoming year.

### Results and dividends

The results of the group for the year are shown in the profit and loss account on page 5. The loss on ordinary activities after taxation for the year is £2,770,919 (2006: £1,228,688 profit). The current year loss is stated after the group's share of the write down of an investment property by a joint venture amounting to £3,053,141.

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:

AH Gloag	
R Gillies	
WC O'Hara	
RW Gore	
P Dickson	(resigned 8 January 2008)
A Hewitt	(appointed 12 November 2007 and resigned 30 June 2008)
G MacDonald	(appointed 20 June 2008 and resigned 2 February 2009)
N Burnett	(appointed 2 February 2009)

### 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

13 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 group and the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The group and parent company financial statements are required by law to give a fair view of the state of affairs of the group and the parent company and of the profit or loss 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 group and the parent 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 parent 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 group 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 Block Holdings Limited**

We have audited the financial statements of Block Holdings Limited for the year ended 31 December 2007 which comprise the consolidated Profit and Loss Account, the consolidated and company Balance Sheets 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 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 also 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.

## **Independent auditors' report to the members of Block Holdings Limited** *(continued)*

### **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 group's and parent company's affairs as at 31 December 2007 and of the group's 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.

KPMG LLP

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

13 March 2009

**Consolidated profit and loss account**  
*for the year ended 31 December 2007*


	<i>Note</i>	2007 £	2006 £
<b>Turnover</b>			
Group and share of joint ventures		1,065,753	1,106,774
Less: share of joint venture		(671,156)	(671,511)
		<hr/>	<hr/>
<b>Group turnover</b>	2	394,597	435,263
Cost of sales		62,146	(192,264)
		<hr/>	<hr/>
<b>Gross profit</b>		456,743	242,999
Administrative expenses		(5,990)	(259)
Share of operating profit of joint venture		609,477	594,990
		<hr/>	<hr/>
<b>Operating profit</b>		1,060,230	837,730
Amounts written off investment properties	8	(159,194)	-
Share of amounts written off investment properties by joint venture		(3,053,141)	-
Gain on sale of investment properties		-	1,688,957
Interest receivable and similar income	3	28,269	10,783
Interest receivable – share of joint venture's bank interest		4,533	3,543
Interest payable and similar charges	4	(270)	(252,124)
Interest payable – share of joint venture's loan interest		(644,887)	(556,789)
Interest payable – share of joint venture's amortisation of loan fees		(40,973)	(68,967)
		<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities before taxation</b>	5	(2,805,433)	1,663,133
Tax on (loss)/profit on ordinary activities	7	34,514	(434,445)
		<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities after taxation</b>		(2,770,919)	1,228,688
Minority interests		(716)	19,832
		<hr/>	<hr/>
<b>(Loss)/profit for the financial year</b>	15	(2,771,635)	1,248,520
		<hr/> <hr/>	<hr/> <hr/>

There are no recognised gains or losses other than those reported above.

**Consolidated balance sheet**  
*At 31 December 2007*

	Note	£	2007 £	£	2006 £
<b>Fixed assets</b>					
Investment properties	8		1,800,000		1,959,194
Investments in joint ventures:					
Share of gross assets		9,118,025		12,194,652	
Share of gross liabilities		(8,847,581)		(8,795,598)	
	9		270,444		3,399,054
			2,070,444		5,358,248
<b>Current assets</b>					
Debtors	11	4,023,893		4,346,413	
Cash at bank and in hand		562,616		235,816	
		4,586,509		4,582,229	
<b>Creditors: amounts falling due within one year</b>	12	(3,237,492)		(3,750,097)	
<b>Net current assets</b>			1,349,017		832,132
<b>Net assets</b>			3,419,461		6,190,380
<b>Capital and reserves</b>					
Share capital	13		24,800		24,800
Profit and loss account	14		3,368,777		6,140,412
<b>Shareholders' funds</b>	15		3,393,577		6,165,212
Minority interests			25,884		25,168
			3,419,461		6,190,380

These financial statements were approved by the Board of Directors on 13 March 2009 and were signed on its behalf by:




**WC O'Hara**  
Director



**Company balance sheet**  
*At 31 December 2007*

	<i>Note</i>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
<b>Fixed assets</b>			
Investments	10	6,675,424	10,082,294
<b>Current assets</b>			
Debtors	11	5,605,561	5,662,265
Cash at bank and in hand		562,616	235,816
		<u>6,168,177</u>	<u>5,898,081</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(15,469,034)</u>	<u>(15,449,988)</u>
<b>Net current liabilities</b>		<u>(9,300,857)</u>	<u>(9,551,907)</u>
<b>Net (liabilities)/assets</b>		<u>(2,625,433)</u>	<u>530,387</u>
<b>Capital and reserves</b>			
Share capital	13	24,800	24,800
Profit and loss account	14	(2,650,233)	505,587
<b>Shareholders' (deficit)/funds</b>	15	<u>(2,625,433)</u>	<u>530,387</u>

These financial statements were approved by the Board of Directors on 13 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*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of investment properties. Compliance with Statement of Standard Accounting Practice (SSAP) 19 "Accounting for Investment Properties" requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given in the investment properties accounting policy note below.

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.

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

#### *Basis of consolidation*

The consolidated financial statements include the financial statements of the parent company and its subsidiaries, joint ventures and associated undertakings made up to 31 December each year. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. A joint venture is an undertaking in which the group has a long-term interest and over which it exercises joint control. The group's share of the profits less losses of joint ventures is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from rental income and management fees receivable.

#### *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.

#### *Investment properties*

In accordance with Statement of Standard Accounting Practice 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve. Permanent deficits are transferred to the profit and loss account when they occur. No depreciation or amortisation is provided in respect of freehold investment properties. This treatment may be a departure from the Companies Act requirements concerning the depreciation of fixed assets. It is the opinion of the directors that, as these properties are held for investment purposes and not for consumption, a systematic annual charge for depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is one of several factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately quantified.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Fixed asset investments*

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

#### *Dividends on shares presented within shareholders' funds*

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

### 2 Turnover

The turnover and pre-tax loss is attributable to rental and rental management activities and arises in the United Kingdom.

### 3 Interest receivable and similar income

	2007 £	2006 £
Bank interest receivable	28,269	10,783
	<u>28,269</u>	<u>10,783</u>

### 4 Interest payable and similar charges

	2007 £	2006 £
On bank loans and overdrafts	-	252,124
Other interest receivable	270	-
	<u>270</u>	<u>252,124</u>

### 5 (Loss)/profit on ordinary activities before taxation

	2007 £	2006 £
<i>(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration:		
- audit of these financial statements	3,500	3,000
- audit of financial statements of subsidiaries pursuant to legislation.	8,165	10,000
- other services relating to taxation	-	2,000
Performance fee (reversed)/charged	(115,000)	115,000
Rental income receivable	(120,825)	(435,263)
	<u>(120,825)</u>	<u>(435,263)</u>

## Notes (continued)

### 6 Directors and employees

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

	2007 Number	2006 Number
Directors	5	5

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

### 7 Taxation

	2007 £	2006 £
<i>UK corporation tax</i>		
Current tax on income for the year	141,189	370,760
Adjustment in respect of previous years	(179,322)	63,685
	(38,133)	434,445
Share of joint ventures' tax	3,619	-
	(34,514)	434,445

#### *Factors affecting the tax charge for the current year*

The current tax charge for the year is higher than (2006: lower than) the standard rate of corporation tax in the UK of 30%. The differences are explained below.

	2007 £	2006 £
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	(2,805,433)	1,663,133
Current tax at 30%	(841,630)	498,940
<i>Effects of:</i>		
Indexation allowance on property gain	-	(89,557)
Expenses not allowed for tax	47,758	4,484
Effect of marginal rate	(2,436)	(10,373)
Group relief at nil consideration	-	(40,902)
Adjustment in respect of previous years	(179,322)	63,685
Tax effect of share of joint venture's results	941,116	8,168
<b>Total current tax charge (above)</b>	<b>(34,514)</b>	<b>434,445</b>

**Notes (continued)**

**8 Investment properties - group**

	£
<i>Cost or valuation</i>	
At beginning and end of year	1,959,194
	<hr/>
<i>Amounts written off</i>	
Written off in the year	(159,194)
	<hr/>
<i>Net book value</i>	
At 31 December 2007	1,800,000
	<hr/> <hr/>
At 31 December 2006	1,959,194
	<hr/> <hr/>

Investment properties have been stated at directors' valuation at the balance sheet date based on open market value. The historical cost of the investment properties is £1,959,194 (2006: £1,959,194).

**9 Fixed assets investments - group**

	Share capital £	Interest in joint venture Share of profits/(losses) £	Total £
At beginning of year	3,407,500	(8,446)	3,399,054
Share of loss for the year	-	(3,128,610)	(3,128,610)
	<hr/>	<hr/>	<hr/>
	3,407,500	(3,137,056)	270,444
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The amounts included in net assets in respect of SPV Block UK Limited, the group's joint venture investment, are as follows:

	2008 £	2007 £
Share of assets:		
Share of fixed assets	8,900,000	11,949,165
Share of current assets	218,025	245,487
	<hr/>	<hr/>
	9,118,025	12,194,652
	<hr/>	<hr/>
Share of liabilities:		
Due within one year	8,807,581	8,795,598
Due in more than one year	40,000	-
	<hr/>	<hr/>
	8,847,581	8,795,598
	<hr/>	<hr/>
Share of net assets	270,444	3,399,054
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 9 Fixed assets investments – group (continued)

#### *Carrying value of investment in joint venture company*

The group holds 50% of the shares of a joint venture company, SPV Block UK Limited, which is equity accounted in the consolidated financial statements. The carrying value of the investment at 31 December 2007 was £270,444. SPV Block UK Limited is an investment property company which currently has no agreed bank facilities and no tenant for its property, casting significant doubt over its ability to continue as a going concern.

Based on the directors of SPV Block UK Limited's assessment of that company as a going concern the directors have a reasonable expectation that the joint venture company, SPV Block UK Limited, will continue in operational existence for the foreseeable future and therefore that the carrying value in the group financial statements is appropriate. Were the joint venture company unable to continue as a going concern the group's investment would have to be written down to reflect an impairment.

### 10 Fixed assets investments - company

Company	Shares in joint ventures £	Shares in subsidiary undertakings £	Total £
<i>Cost</i>			
At beginning and end of year	3,407,500	6,675,424	10,082,924
<i>Amounts written off</i>			
Written off during the year	(3,407,500)	-	(3,407,500)
<i>Net book value</i>			
At end of year	-	6,675,424	6,675,424
At beginning of year	3,407,500	6,675,424	10,082,924

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

Name	Country of incorporation	Principal activity	Ordinary shares
Block Securities (Dunfermline) Limited	Scotland	Not trading	99%
Block Securities (Arun) Limited	Scotland	Not trading	99%
Block Securities (Switch Island) Limited	Scotland	Not trading	99%
Bognor One Limited	England	Dormant	100%
Bognor Two Limited	England	Dormant	100%
Block Securities (Greenwich) Limited	Scotland	Not trading	100%
SPV Block UK Limited	Wales	Property letting	50%
Block Securities (East Kilbride) Limited	Scotland	Property letting	100%

## Notes (continued)

### 11 Debtors

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Trade debtors	7,186	384,355	-	-
Amounts owed by subsidiary undertakings	-	-	5,565,561	5,662,265
Amounts owed by parent undertakings	3,976,707	3,962,058	-	-
Amounts owed by related parties	40,000	-	40,000	-
	<u>4,023,893</u>	<u>4,346,413</u>	<u>5,605,561</u>	<u>5,662,265</u>

The amounts owed by related parties are due after more than one year.

### 12 Creditors: amounts falling due within one year

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Amounts owed to related parties	6,844	6,844	6,844	6,844
Amounts owed to parent undertakings	-	-	12,295,082	12,256,915
Amounts owed to fellow subsidiaries	3,043,791	3,043,791	3,043,791	3,043,791
Trade creditors	-	20,065	-	-
Corporation tax	141,189	370,760	107,863	-
Other taxation and social security	11,147	11,439	454	7,900
Accruals and deferred income	34,521	297,198	15,000	134,538
	<u>3,237,492</u>	<u>3,750,097</u>	<u>15,469,034</u>	<u>15,449,988</u>

### 13 Called up share capital

	2007 £	2006 £
<i>Authorised, allotted, called up and fully paid</i>		
11,904 Ordinary 'A' shares of £1 each	11,904	11,904
11,904 Ordinary 'B' shares of £1 each	11,904	11,904
992 Ordinary 'C' shares of £1 each	992	992
	<u>24,800</u>	<u>24,800</u>

The 'A', 'B' and 'C' shares rank pari passu in all respects.

### 14 Profit and loss account

	Group £	Company £
At beginning of year	6,140,412	505,587
Loss for year	(2,771,635)	(3,155,820)
At end of year	<u>3,368,777</u>	<u>(2,650,233)</u>

**Notes (continued)**

**15 Reconciliation of movements in shareholders' funds**

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Opening shareholders' funds	6,165,212	4,916,692	530,387	695,398
Profit/(loss) for the financial year	(2,771,635)	1,248,520	(3,155,820)	(165,011)
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	3,393,577	6,165,212	(2,625,433)	530,387
	<hr/>	<hr/>	<hr/>	<hr/>

**16 Ultimate parent company**

The company is a subsidiary undertaking of Moncrieffe Holdings Limited, a company incorporated in Scotland, which is the ultimate parent company. The consolidated financial statements of this group are available to the public and may be obtained from Companies House, 37 Castle Terrace, Edinburgh, EH1 3EB.

**17 Related party disclosure**

During the year Paradigm Real Estate Managers Limited, a company in which WC O'Hara, R Gillies and AH Gloag are directors, was paid a fee of £51,504 (2006: £59,994) for property management fees, which was subsequently paid to Block Properties Limited, a company in which RW Gore is a director.

Paradigm Real Estate Managers Limited was due a performance fee of £115,000 in respect of the year ended 31 December 2006 but this was reversed against cost of sales during the year ended 31 December 2007. The fee was included in accruals at 31 December 2006.

During the year the group advanced £40,000 to its joint venture, SPV Block UK Limited. This loan is interest free, was outstanding at the year end and is due for repayment in more than one year. The group is owed £6,844 (2006: £6,844) from SPV Block UK Limited.