Company Registration No. SC248472

# CHARLOTTE VENTURES (DOONFOOT) LIMITED

**Report and Financial Statements**

**30 June 2009**

**CHARLOTTE VENTURES (DOONFOOT) LIMITED**

**REPORT AND FINANCIAL STATEMENTS 2009**

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# CHARLOTTE VENTURES (DOONFOOT) LIMITED

## REPORT AND FINANCIAL STATEMENTS 2009

## OFFICERS AND PROFESSIONAL ADVISERS

### DIRECTORS

Sir D E Murray
D W M Horne
J R Davies
M S McGill

### SECRETARY

D W M Horne

### REGISTERED OFFICE

9 Charlotte Square
Edinburgh
EH2 4DR

### BANKERS

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

### SOLICITORS

Dundas & Wilson LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EN

### INDEPENDENT AUDITORS

Deloitte LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB

# DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 17 month period ended 30 June 2009. The directors' report has been prepared under the special provisions relating to small companies under section 246(4) of the Companies Act 1985.

## CHANGE OF ACCOUNTING REFERENCE DATE

On 29 September 2009 the company changed its accounting reference date to 30 June 2009.

## PRINCIPAL ACTIVITY

The principal activity of the company is that of an investment company.

## REVIEW OF ACTIVITIES

The loss for the 17 month period to 30 June 2009 was £2,647,041 (12 months to 31 January 2008 - loss of £582,258). During the year, the company provided against the remaining loan of £2,495,000 due from Ryeford Developments Limited (2008 - £600,000).

At 30 June 2009, the company has net liabilities of £3,221,748 (31 January 2009 – net liabilities of £574,707).

In light of the current economic climate, the directors of the company are satisfied with the company's results and its financial position and will continue to pursue suitable business opportunities.

## DIVIDENDS

No dividend was paid in respect of the period (12 months to 31 January 2008 – £nil).

## DIRECTORS

The directors who served during the period and to the date of this report were:

Sir D E Murray
J D G Wilson (resigned 9 December 2009)
D W M Horne
D D Murray (resigned 5 May 2010)
J R Davies (appointed 30 January 2009)
M S McGill (appointed 5 March 2010)

## GOING CONCERN

The balance sheet at 30 June 2009 shows that the company is in a net current liability and net liability position. The company depends on the continuing financial support provided by the ultimate holding company, Murray International Holdings Limited (the "group"). The directors have placed reliance on a letter of support obtained from Murray International Holdings Limited which extends twelve months from the date of approval of the financial statements.

The directors have reviewed the trading prospects, financial and cash flow projections of the group which extend for a period beyond one year from the date of approval of these financial statements. The directors are of the opinion that the cash flow forecasts, taking account of reasonably possible changes in trading performance given current market and economic conditions, show that the group, and therefore the company, will be able to operate within its new bank facility and comply with its banking covenants (see note 18 for further details of the facility which was formally agreed on 21 April 2010).

On that basis the directors have a reasonable expectation that there are adequate resources to allow the company to continue to operate in the normal course of business for the foreseeable future. Accordingly, the directors have determined that it is appropriate to continue to adopt the going concern basis of accounting in the preparation of these financial statements.

## DIRECTORS' REPORT (CONTINUED)

### SUBSEQUENT EVENTS

As set out in note 14, the company's ultimate holding company is Murray International Holdings Limited, a company which is registered in Scotland. On 21 April 2010, Murray International Holdings Limited (the "Group") and certain of its subsidiaries completed a financial restructuring, details of which are set out in the financial statements of Murray International Holdings Limited for the 17 month period ended 30 June 2009. A summary of the principal terms of this financial restructuring are set out below:

**(i.)** Lloyds Banking Group has increased its equity interests in the Group, subscribing for approximately £150m of additional share capital and share premium in Murray International Holdings Limited while reducing debt levels by a similar quantum.

**(ii.)** Following the issue of share capital, Sir David E. Murray and members of his close family continue to control the Company and the Group as a result of controlling, either directly or indirectly, 76% of the voting share capital of the issued share capital of the Company. This percentage was previously 88%.

**(iii.)** Group borrowing facilities have been renewed with Lloyds Banking Group following completion of the financial restructuring. This has involved segregating the overall Group banking arrangement into a series of sub-facilities relevant and applicable to each of the Group's Divisions.

**(iv.)** The Group has acquired minority interests held in certain subsidiaries in the Group for nominal value including PPG Lothian Limited, PPG RH Limited, Premier Burrell Limited, Ryeford Developments Limited and Applecross Properties (Craighall) Limited.

The impact of these changes has been shown in the unaudited pro forma group balance sheet set out in the Directors' Report of the financial statements of Murray International Holdings Limited. This unaudited pro forma balance sheet highlights the effect on the 30 June 2009 balance sheet of Murray International Holdings Limited of the various steps outlined above as if they had taken place on 30 June 2009.

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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; 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## DIRECTORS' REPORT (CONTINUED)

### DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

### FINANCIAL RISK MANAGEMENT

**Foreign Currency Risk**

The directors consider that the company is not exposed to foreign currency risk as all significant transactions are denominated in sterling.

**Liquidity Risk**

Operations are financed by a mixture of shareholders' funds and bank borrowings. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the company.

**Cash Flow Risk**

The company's policy, as part of Murray Estates Limited group, is to arrange bank overdrafts with a floating rate of interest plus an agreed margin.

### INDEPENDENT AUDITORS

Deloitte LLP, having expressed their willingness to continue in office, will be deemed re-appointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

Approved by the Board of Directors
and signed by order of the Board

D W M Horne

Secretary

17 May 2010

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHARLOTTE VENTURES (DOONFOOT) LIMITED

We have audited the financial statements of Charlotte Ventures (Doonfoot) Limited for the 17 month period ended 30 June 2009 which comprise the profit and loss account, the balance sheet and the related notes 1 to 18. 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 financial statements in accordance with applicable law and United Kingdom 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 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 30 June 2009 and of its loss for the 17 month period 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.

Deloitte LLP

**Deloitte LLP**
Chartered Accountants and Registered Auditors
Edinburgh, United Kingdom
19 May 2010

## PROFIT AND LOSS ACCOUNT
## 17 month period to 30 June 2009

| | Note | 17 months to 30 June 2009 £ | 12 months to 31 January 2008 £ |
|---|---|---|---|
| Administrative expenses | | (17,500) | (15,001) |
| **OPERATING LOSS** | | (17,500) | (15,001) |
| Amounts written off loans | | (2,495,000) | (600,000) |
| Investment income | 2 | 41,445 | 193,441 |
| Interest payable and similar charges | 3 | (189,578) | (153,094) |
| **LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION** | 4 | (2,660,633) | (574,654) |
| Tax credit / (charge) on loss on ordinary activities | 5 | 13,592 | (7,604) |
| **LOSS FOR THE FINANCIAL PERIOD/YEAR** | 11, 12 | (2,647,041) | (582,258) |

The results for the current period and prior year have been derived wholly from continuing operations.

There have been no recognised gains and losses attributable to the shareholders other than the loss for the current period and the prior year and accordingly, no Statement of Total Recognised Gains and Losses has been presented.

The accompanying notes form an integral part of these financial statements.

## BALANCE SHEET
## As at 30 June 2009

| | Note | 30 June 2009 £ | 31 January 2008 £ |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Investments | 6 | 1 | 1 |
| **CURRENT ASSETS** | | | |
| Debtors due within one year | 7 | - | 615,846 |
| Debtors due after more than one year | 8 | - | 2,000,000 |
| | | - | 2,615,846 |
| **CREDITORS: amounts falling due within one year** | 9 | (3,221,749) | (3,190,554) |
| **NET CURRENT LIABILITIES** | | (3,221,749) | (574,708) |
| **NET LIABILITIES** | | (3,221,748) | (574,707) |
| **CAPITAL AND RESERVES** | | | |
| Called-up share capital | 10 | 1 | 1 |
| Profit and loss account | 11 | (3,221,749) | (574,708) |
| **SHAREHOLDERS' DEFICIT** | 12 | (3,221,748) | (574,707) |

The accompanying notes form an integral part of these financial statements.

The financial statements of Charlotte Ventures (Doonfoot) Limited, registered number SC248472 were approved by the board of directors and authorised for issue on 17 May 2010.

Signed on behalf of the Board of Directors

J R Davies
Director

D W M Horne
Director

# NOTES TO THE FINANCIAL STATEMENTS
## 17 month period to 30 June 2009

### 1. ACCOUNTING POLICIES

The principal accounting policies adopted are summarised below. They have been applied consistently throughout the current period and preceding year.

**Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

**Basis of preparation**

The balance sheet at 30 June 2009 shows that the company is in a net current liability and net liability position. The company depends on the continuing financial support provided by the ultimate holding company, Murray International Holdings Limited (the "group"). The directors have placed reliance on a letter of support obtained from Murray International Holdings Limited which extends twelve months from the date of approval of the financial statements.

The directors have reviewed the trading prospects, financial and cash flow projections of the group which extend for a period beyond one year from the date of approval of these financial statements. The directors are of the opinion that the cash flow forecasts, taking account of reasonably possible changes in trading performance given current market and economic conditions, show that the group, and therefore the company, will be able to operate within its new bank facility and comply with its banking covenants (see note 18 for further details of the facility which was formally agreed on 21 April 2010).

On that basis the directors have a reasonable expectation that there are adequate resources to allow the company to continue to operate in the normal course of business for the foreseeable future. Accordingly, the directors have determined that it is appropriate to continue to adopt the going concern basis of accounting in the preparation of these financial statements.

**Fixed asset investments**

Fixed asset investments are shown at cost less provision for impairment. Income from fixed asset investments is included in the financial statements in the period in which it is receivable.

**Taxation**

UK corporation tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The taxation liabilities of certain group undertakings are reduced wholly or in part by the surrender of losses by other group undertakings. The tax benefits arising from group relief are recognised in the financial statements of the surrendering undertakings.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
## 17 month period to 30 June 2009

### 2. INVESTMENT INCOME

| | 17 months to 30 June 2009 £ | 12 months to 31 January 2008 £ |
|---|---|---|
| Interest receivable on loan to Joint Venture (note 16) | 41,445 | 193,441 |

### 3. INTEREST PAYABLE AND SIMILAR CHARGES

| | 17 months to 30 June 2009 £ | 12 months to 31 January 2008 £ |
|---|---|---|
| On bank overdraft | 189,578 | 153,094 |

### 4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

During the 17 month period to 30 June 2009 the company incurred no staff costs as there are no employees (12 months ended 31 January 2008 - £nil). None of the directors received any remuneration for services provided directly to the company during the current period or prior year. In the current period audit fees of £1,500 were paid. In the prior year audit fees of £1,500 were borne by another group undertaking.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
## 17 month period to 30 June 2009

### 5. TAX ON LOSS ON ORDINARY ACTIVITIES

The tax (credit)/charge is based on the loss for the period/year and comprises:

| | 17 months to 30 June 2009 | 12 months to 31 January 2008 |
|---|---|---|
| | £ | £ |
| Current tax | (13,592) | 7,604 |

No provision has been made for deferred taxation. There was an unprovided deferred taxation asset at 30 June 2009 of £899,496 (2008 - £180,000). At present it is not envisaged that there will be sufficient future taxable profits against which any deferred tax asset would reverse.

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax are as follows:

| | 17 months to 30 June 2009 | 12 months to 31 January 2008 |
|---|---|---|
| | £ | £ |
| **Loss on ordinary activities before tax** | (2,660,633) | (574,654) |
| Tax on loss on ordinary activities at standard UK corporation tax rate of 28.23% (2008 – 30%) | (751,165) | (172,396) |
| Non-taxable items | - | 180,000 |
| Unrelieved tax losses and other deductions | 33,171 | - |
| Other short term timing differences | 704,402 | - |
| **Current tax (credit) / charge for the period/year** | (13,592) | 7,604 |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
## 17 month period to 30 June 2009

### 6. FIXED ASSET INVESTMENTS

The company's investment consists of 1 'A' ordinary share of £1 in Ryeford Developments Limited. This represents 50% of the issued share capital of that company. In the 5 months ended 30 June 2009, Ryeford Developments Limited had a loss after taxation of £2,358 (2009: 12 months ended 31 January 2009 loss of £7,296,854). At 30 June 2009, it had net liabilities of £7,832,671 (31 January 2009: net liabilities of £7,830,313). Details of transactions during the year and balances at the year end between the company and Ryeford Developments Limited are included in note 16. The principal activity of Ryeford Developments Limited is property development. On the 19th of April 2010 Charlotte Ventures (Doonfoot) Limited acquired the 50% shareholding in Ryeford Developments Limited previously owned by Holmcroft Developments Limited.

### 7. DEBTORS: AMOUNTS DUE WITHIN ONE YEAR

The following amounts are included in the net book value of debtors due within one year:

| | 30 June 2009 £ | 31 January 2008 £ |
|---|---|---|
| Amounts owed by related parties | - | 615,846 |

### 8. DEBTORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR

| | 30 June 2009 £ | 31 January 2008 £ |
|---|---|---|
| Amounts owed by related parties | - | 2,000,000 |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
## 17 month period to 30 June 2009

### 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

The following amounts are included in creditors falling due within one year:

| | 30 June 2009 £ | 31 January 2008 £ |
|---|---|---|
| Bank overdraft (secured) | 3,195,867 | 3,167,315 |
| Amounts owed to other group undertakings | 20,068 | 4,994 |
| Accruals and deferred income | 5,814 | 18,245 |
| | 3,221,749 | 3,190,554 |

The bank overdraft is secured by a bond and floating charge over the assets of the company.

### 10. CALLED-UP SHARE CAPITAL

| | 30 June 2009 £ | 31 January 2008 £ |
|---|---|---|
| *Authorised:* | | |
| 1,000 ordinary shares of £1 each | 1,000 | 1,000 |
| *Allotted, called-up and fully paid:* | | |
| 1 ordinary share of £1 | 1 | 1 |

### 11. PROFIT AND LOSS ACCOUNT

| | 2009 £ |
|---|---|
| At beginning of year | (574,708) |
| Loss for the financial period | (2,647,041) |
| At end of period | (3,221,749) |

No dividend was paid for the 17 month period to 30 June 2009 (12 month period to 31 January 2008 – £nil).

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
## 17 month period to 30 June 2009

### 12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

| | 30 June 2009 £ | 31 January 2008 £ |
|---|---|---|
| Loss for the financial period | (2,647,041) | (582,258) |
| Opening shareholders' deficit | (574,707) | 7,551 |
| Closing shareholders' deficit | (3,221,748) | (574,707) |

### 13. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

*a) Capital commitments*

There were no capital commitments at 30 June 2009 (2008 – nil).

*b) Contingent liabilities*

The company has guaranteed bank borrowings of its holding company and other subsidiary undertakings. The total contingency at 30 June 2009 amounted to £444,843,281 (2008– £384,492,074). Security for the bank facilities consists of cross guarantees and a bond and floating charge over the assets of the company.

On 21 April 2010 the company entered into a new cross guarantee structure as a result of new debt facilities that were provided by the company's bankers Lloyds Banking Group. The company continues to guarantee bank borrowings of its holding company and other subsidiary undertakings.

*c) VAT*

The company is registered for VAT purposes in a group of undertakings which share a common registration number. As a result, it has jointly guaranteed the VAT liability of the group and failure by other members of the group to meet their liabilities would give rise to additional liabilities for the company. The directors are of the opinion that no additional liability is likely to arise.

### 14. ULTIMATE HOLDING COMPANY

The ultimate holding company is Murray International Holdings Limited and the immediate parent company is Murray Estates Limited, both of which are registered in Scotland. The largest and smallest group in which the results of the company are consolidated is that headed by the ultimate holding company whose principal place of business is 9 Charlotte Square, Edinburgh, EH2 4DR. Copies of Murray International Holdings Limited financial statements are available from the above address.

### 15. ULTIMATE CONTROL

Sir D E Murray, a director of the ultimate holding company (note 14), and members of his close family control the company as a result of controlling directly or indirectly 76% (2008 - 81%) of the issued share capital of the ultimate holding company.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
## 17 month period to 30 June 2009

### 16. RELATED PARTY TRANSACTIONS

During the period the company entered into the following transactions with related parties:

The company charged interest of £41,445 (2008 - £193,441) on a loan to Ryeford Developments Limited. The balance of the loan of £2,495,000 was written off during the period (2008 - £600,000).

Ryeford Developments Limited is a related party by virtue of the company's interest in its ordinary share capital (note 6).

In accordance with the exemptions provided under Financial Reporting Standard 8 for companies whose voting rights are 90% or more controlled within a group, the company has not disclosed transactions with other subsidiary undertakings of the ultimate holding company (Note 14).

### 17. CASH FLOW STATEMENT

The company is exempt from the requirements of Financial Reporting Standard 1 (Revised) to include a cash flow statement as part of its financial statements because it is a wholly owned subsidiary of Murray International Holdings Limited whose financial statements contain a consolidated cash flow statement and are available to the public.

### 18. SUBSEQUENT EVENTS

As set out in note 14, the company's ultimate holding company is Murray International Holdings Limited, a company which is registered in Scotland. On 21 April 2010, Murray International Holdings Limited (the "Group") and certain of its subsidiaries completed a financial restructuring, details of which are set out in the financial statements of Murray International Holdings Limited for the 17 month period ended 30 June 2009. A summary of the principal terms of this financial restructuring are set out below:

(i.) Lloyds Banking Group has increased its equity interests in the Group, subscribing for approximately £150m of additional share capital and share premium in Murray International Holdings Limited while reducing debt levels by a similar quantum.

(ii.) Following the issue of share capital, Sir David E. Murray and members of his close family continue to control the Company and the Group as a result of controlling, either directly or indirectly, 76% of the voting share capital of the issued share capital of the Company. This percentage was previously 88%.

(iii.) Group borrowing facilities have been renewed with Lloyds Banking Group following completion of the financial restructuring. This has involved segregating the overall Group banking arrangement into a series of sub-facilities relevant and applicable to each of the Group's Divisions.

(iv.) The Group has acquired minority interests held in certain subsidiaries in the Group for nominal value including PPG Lothian Limited, PPG RH Limited, Premier Burrell Limited, Ryeford Developments Limited and Applecross Properties (Craighall) Limited.

The impact of these changes has been shown in the unaudited pro forma group balance sheet set out in the Directors' Report of the financial statements of Murray International Holdings Limited. This unaudited pro forma balance sheet highlights the effect on the 30 June 2009 balance sheet of Murray International Holdings Limited of the various steps outlined above as if they had taken place on 30 June 2009.