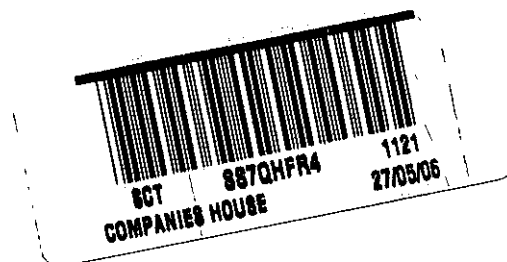


MCET LIMITED
Registered Number: SC 215839

Annual Report and Accounts

For the period ended 31 July 2005



MCET LIMITED
Annual Report and Accounts
For the period ended 31 July 2005

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MCET LIMITED

Company Information

as at 31 July 2005

Directors

Alan J Hartley
Brian Adair

Secretary and Chamberlain

Alistair Beattie

Registered number

SC 193385

Registered address

Merchants Hall
22 Hanover Street
Edinburgh
EH2 2EP

Auditors

Henderson Loggie
10 Great Stuart Street
Edinburgh
EH3 7TN

Solicitors

Morton Fraser
30-31 Queen Street
Edinburgh
EH2 1JX

Principal bankers

The Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh
EH2 2YB

MCET LIMITED

Directors' Report

For the period ended 31 July 2005

The Directors present the annual report with the financial statement of the company for the period ended 31 July 2005.

Principal activities

The principal activity of the company in the period under review was to own and provide property for rent.

Directors and their interests

The directors in office during the period were as follows

Alan J Hartley
Brian Adair

They had no beneficial interests in the company at the balance sheet date.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those 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;
- 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to 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.

Henderson Loggie were appointed auditors to the company during the period and in accordance with Section 385 of the Companies Act 1985 are willing to be re-appointed.

The directors' report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies (S246(8)(6)).

On behalf of the Board:



Brian Adair
Director

Date: 05 December 2005

MCET LIMITED

Independent Auditors' Report to the Shareholders

For the period ended 31 July 2005

We have audited the financial statements set out on pages 4 to 8. These financial statements have been prepared under the historical cost convention and, with the exception of the revaluation of investment properties as allowed under Statement of Standard Accounting Practice 19, the accounting policies set out on page 6.

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 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 the directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statement, if the company has not kept proper accounting records, if we have not received all the information and explanations that we require for our audit or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent mis-statements within it.

Basis of opinion

We have conducted our audit in accordance with United Kingdom Auditing Standards 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 judgements made by the directors in the preparation of the financial statement, 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 mis-statement, 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 of the state of affairs of the company as at 31 July 2005 and of its results for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Henderson Loggie

Henderson Loggie
Chartered Accountants
Registered Auditor
10 Great Stuart Street
Edinburgh
EH3 7TN

Date: 5/12/05

MCET LIMITED

Profit and Loss Account

For the period ended 31 July 2005

		2005 (16 months)	2004 (12 months)
	Notes	£	£
Turnover			
Property rent	2	442,866	333,000
Interest received		10,505	1,837
Gross profit		453,371	334,837
Administrative expenses		(7,665)	(5,162)
Charitable donation		(447,040)	(305,370)
Depreciation of investment property		-	(22,675)
Operating loss	4	(1,334)	1,030
Interest payable	5	-	(24,305)
Loss on ordinary activities before taxation		(1,334)	(22,675)
Taxation	7	-	-
Loss on ordinary activities after taxation		(1,334)	(22,675)
Dividend		-	(80,000)
Retained loss for the period		(1,334)	(102,675)

Statement of Total Recognised Gains and Losses

For the period ended 31 July 2005

	2005 (16 months)	2004 (12 months)
	£	£
Deficit for the period	(1,334)	(102,675)
Unrealised gain on revaluation of investment properties	287,675	-
Total recognised gains and losses for the period	286,341	(102,675)

The notes on pages 6 to 8 form part of these financial statements.

MCET LIMITED

Balance Sheet

As at 31 July 2005

	Notes	2005 £	2005 £	2004 £	2004 £
Fixed assets					
Investment properties	7		4,800,000		4,512,325
Current assets					
Debtors	8	1,460		1,451	
Cash at bank and in hand		248,772		142,128	
		<u>250,232</u>		<u>143,579</u>	
Creditors: amounts falling due within one year	9	<u>(287,269)</u>		<u>(179,282)</u>	
Net current liabilities			(37,037)		(35,703)
Net assets			<u>4,762,963</u>		<u>4,476,622</u>
Capital and reserves					
Called up share capital	10		4,129,207		4,129,207
Investment property revaluation reserve	11		654,595		366,920
Profit and loss account	11		<u>(20,839)</u>		<u>(19,505)</u>
Total shareholders' funds			<u>4,762,963</u>		<u>4,476,622</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002) and were approved by the board of directors on 25 October 2005 and signed on its behalf by:



Brian Adair, Director

The notes on pages 6 to 8 form part of these financial statements.

MCET LIMITED

Notes to the Financial Statements

For the period ended 31 July 2005

1 Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention, with the exception of the revaluation of investment properties as allowed under Statement of Standard Accounting Practice 19, the Financial Reporting Standard for Smaller Entities (effective June 2002) and in accordance with applicable accounting standards.

Turnover

Turnover represents the total invoice value, excluding value added tax, of services rendered during the year.

Investment properties

In accordance with Statement of Standard Accounting Practice No 19:

- Investment properties are revalued annually and surpluses or deficits are transferred to a revaluation reserve unless a deficit on an individual property is considered permanent. In this case the deficit is charged to the profit and loss account and any subsequent reversal is credited to the profit and loss account in the period in which it arises; and
- No depreciation is provided in respect of freehold investment properties or leasehold interests with an unexpired term of more than 20 years.

This treatment, as regards certain of the company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Independent professional valuations for investment properties are obtained by directors periodically.

Taxation

Provision is made for corporation tax payable at current rates on profits as adjusted for tax purposes. Full provision for deferred tax on timing differences is made (without discounting) in accordance with Financial Reporting Standard 19: Deferred tax, at rates in force at the balance sheet date except in the cases specified in FRS 19, most notably timing differences relating to revaluation of investment properties for which there is no binding sale agreement.

2 Income

	2005 (16 months) £	2004 (12 months) £
Analysis by class of business:		
Property rent	442,866	333,000
Interest received	10,505	1,837
	453,371	334,837

The company's turnover arose wholly in the United Kingdom

MCET LIMITED

Notes to the Financial Statements

For the period ended 31 July 2005

3 Operating loss

Operating loss is stated	2005 £	2004 £
After charging:		
Charitable donations	447,040	305,370
Depreciation of fixed assets	-	22,675
Auditors' remuneration	400	1,000
	<u>447,440</u>	<u>329,045</u>

4 Remuneration of directors

No director received any remuneration during either period.

5 Interest payable and similar charges

	2005 £	2004 £
On other loans	-	24,305
	<u>-</u>	<u>24,305</u>

6 Taxation

	2005 £	2004 £
Current tax on income for the period	-	-
	<u>-</u>	<u>-</u>

7 Investment properties

	Heritable property £
Cost:	
At 1 April 2004	4,535,000
Additions	-
Revaluation	265,000
	<u>4,800,000</u>
At 31 July 2005	4,800,000
Depreciation:	
At 1 April 2004	22,675
Charge for period	-
Revaluation	(22,675)
	<u>-</u>
At 31 July 2005	-
Net book value:	
At 31 July 2005	<u>4,800,000</u>
At 31 March 2004	<u>4,512,000</u>

MCET LIMITED

Notes to the Financial Statements

For the period ended 31 July 2005

8 Debtors	2005	2004
	£	£
Corporation tax		1,451
Sundry debtors	1,460	-
	<u>1,460</u>	<u>1,451</u>
9 Creditors: amounts falling due within one year	2005	2004
	£	£
Charitable donation to Merchant Company Endowments Trust	247,040	110,370
Rent paid in advance	25,337	51,953
Social security and other taxation	14,492	15,959
Accruals	400	1,000
	<u>287,269</u>	<u>179,282</u>
10 Share capital	2005	2004
	£	£
Authorised equity interests:		
Ordinary shares of £1 each	<u>4,250,000</u>	<u>4,250,000</u>
Allotted, called up and fully paid:		
Equity interests:		
Ordinary shares of £1 each	<u>4,129,207</u>	<u>4,129,207</u>
11 Reserves	Investment property revaluation reserve £	Profit and loss account £
At start of period	366,920	(19,505)
Loss for financial period	-	(1,334)
Revaluation of investment property	287,675	-
At end of period	<u>654,595</u>	<u>(20,839)</u>
12 Ultimate parent undertaking and controlling party		
The ultimate parent undertaking is The Merchant Company Endowments Trust, a charitable trust registered in Scotland.		