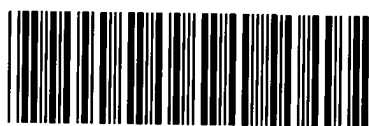


MCET LIMITED
Registered Number: SC 215839

Annual Report and Accounts

For the year ended 31 July 2016

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MCET LIMITED
Annual Report and Accounts
For the year ended 31 July 2016

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MCET LIMITED
Company Information
as at 31 July 2016

Directors

Alan J Hartley
Brian Adair

Secretary

Gregor Murray

Registered number

SC 215839

Registered address

The Merchants' Hall
22 Hanover Street
Edinburgh
EH2 2EP

Auditors

Henderson Loggie
34 Melville Street
Edinburgh
EH3 7HA

Solicitors

Morton Fraser
Quatermile Two
2 Lister Square
Edinburgh EH3 9GL

Principal bankers

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

MCET LIMITED

Directors' Report

For the year ended 31 July 2016

The Directors present the annual report with the financial statements of the company for the year ended 31 July 2016.

Principal activities

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

Directors

The directors in office during the period were as follows

Alan J Hartley
Brian Adair

Directors' responsibilities

The Directors are responsible for preparing the annual report and 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 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 2006. 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.

Auditors

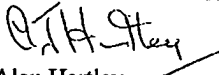
Henderson Loggie were appointed auditors to the company during the period and in accordance with Section 485 of the Companies Act 2006 are willing to be re-appointed.

Approval of the Directors' report

So far as each Director is aware, there is no relevant audit information of which the auditors are unaware. Each Director has taken the appropriate steps as a Director to make themselves aware of such information and to establish that the auditors are aware of it.

The Directors' report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

On behalf of the Board:


Alan Hartley
Director

7 December 2016

MCET LIMITED

Independent Auditors' Report to the Shareholders

For the year ended 31 July 2016

We have audited the financial statements of MCET Limited for the year ended 31 July 2016 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's Members, as a body, in accordance with Sections 495 and 496 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 July 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom 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 or 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; or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime.

Andrew Niblock

Andrew Niblock (Senior Statutory Auditor)
For an on behalf of Henderson Loggie, Statutory Auditors
34 Melville Street
Edinburgh
EH3 7HA

7 December 2016

MCET LIMITED
Profit and Loss Account
For the year ended 31 July 2016

	Notes	2016 £	Restated 2015 £
Turnover – Property rent	1	356,311	367,700
Gross profit		356,311	367,700
Administrative expenses		(355,962)	(367,795)
Operating profit/(loss)	2	349	(95)
Interest received		78	95
Interest paid		(427)	
Loss on ordinary activities before taxation		-	-
Taxation	4	-	-
Profit/(loss) for the year	9	-	-
Other comprehensive income			
Revaluation of investment properties		300,000	1,735,000
Deferred tax on revaluation		(60,000)	(347,000)
Total comprehensive income for the year		240,000	1,388,000

The notes on pages 6 to 10 form part of these financial statements.

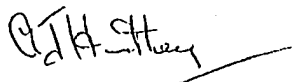
MCET LIMITED

Balance Sheet

As at 31 July 2016

	Notes	2016 £	2016 £	Restated 2015 £	Restated 2015 £
Fixed assets					
Investment property	5		4,910,000		4,610,000
Current assets					
Debtors	6	283,997		1,680	
Cash at bank and in hand		34,587		93,880	
		<u>318,584</u>		<u>95,560</u>	
Creditors: amounts falling due within one year	7	<u>(471,341)</u>		<u>(248,317)</u>	
Net current liabilities			<u>(152,757)</u>		<u>(152,757)</u>
Total assets less current liabilities			<u>4,757,243</u>		<u>4,457,243</u>
Provision for liabilities and charges	8		<u>(162,000)</u>		<u>(102,000)</u>
Net assets			<u>4,595,243</u>		<u>4,355,243</u>
Capital and reserves					
Called up share capital	9		4,129,207		4,129,207
Non-distributable property reserve	10		648,000		408,000
Profit and loss account	10		<u>(181,964)</u>		<u>(181,964)</u>
Total shareholders' funds			<u>4,595,243</u>		<u>4,355,243</u>

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and were approved by the Board of Directors on 7 December 2016 and signed on its behalf by:



Alan Hartley, Director

The notes on pages 6 to 10 form part of these financial statements.

MCET Limited – Registered number: SC 215839

MCET LIMITED

Notes to the Financial Statements

For the year ended 31 July 2016

1 Statement of accounting policies

Accounting Convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standards applicable in the UK and Republic of Ireland" ("FRS 102"). The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosures are required to show a true and fair view.

The financial statements are prepared in sterling, which is the function currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

These financial statements for the year ended 31 July 2016 are the first set of financial statements of MCET Limited prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition was 1 August 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is set out below.

The financial statements do not include a cashflow statement because the fund, as a small reporting entity, has claimed exemption from the requirement to prepare such a statement.

Reconciliation with previous Generally Accepted Accounting Practice

In preparing the financial statements, the trustees have considered whether in applying the accounting policies required by FRS 102, the restatement of comparative items was required. The change that requires a restatement was to recognise deferred tax on investment properties held at market value. A reconciliation of opening balances is set out below:

Reconciliation of reserves balances at 1 August 2014

	Share capital £	Non- distributable reserve £	Profit and loss reserve £	Total reserves £
Reserves held under previous GAAP	4,129,207	(1,225,000)	(181,964)	2,722,243
Adjustments:				
Deferred tax on revalued assets	-	245,000	-	245,000
	<u>4,129,207</u>	<u>(980,000)</u>	<u>(181,964)</u>	<u>2,967,243</u>
Reserves restated under FRS 102	<u>4,129,207</u>	<u>(980,000)</u>	<u>(181,964)</u>	<u>2,967,243</u>

Reconciliation of reserves balances at 31 July 2015

Reserves held under previous GAAP	4,129,207	510,000	(181,964)	4,457,243
Adjustments:				
Deferred tax on revalued assets	-	(102,000)	-	(102,000)
	<u>4,129,207</u>	<u>408,000</u>	<u>(181,964)</u>	<u>4,355,243</u>
Reserves restated under FRS 102	<u>4,129,207</u>	<u>408,000</u>	<u>(181,964)</u>	<u>4,355,243</u>

Reconciliation of total comprehensive income for the year

	31 July 2015 £
As stated under previous GAAP	1,735,000
Adjustments:	
Movement on deferred tax on revalued assets	(347,000)
	<u>1,388,000</u>

MCET LIMITED

Notes to the Financial Statements

For the year ended 31 July 2016

1 Statement of Accounting Policies (*continued*)

Going concern

As recommended by the Financial Reporting Council, the directors have considered the company's trading prospects over the next 12 months. On the basis of the budgets prepared and having considered the company's cashflow and asset position, the directors believe it is appropriate to prepare the financial statements on a going concern basis.

Turnover

Rental income is included in the profit and loss account in the period to which it relates.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. The company's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value at the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account.

Debtors

Debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid net of any trade discounts due.

Creditors and Provisions

Creditors and provisions are recognised where the company has a present obligation resulting from a past event that will probably result in a transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Financial Instruments

The company has only financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

2 Operating loss

	2016	2015
Operating loss is stated after charging:	£	£
Charitable donations	340,994	318,905
Auditors' remuneration	1,460	1,430
	=====	=====

MCET LIMITED

Notes to the Financial Statements

For the year ended 31 July 2016

3 Remuneration of Directors

The directors and the company secretary are considered to be key management. No Director or Secretary received any remuneration during either period nor are any retirement benefits accruing.

4 Taxation

	2016	2015
	£	£
Current tax on income for the period	-	-

5 Investments

Investment Properties

	Albany House 2016 £	Hillside Street 2016 £	Total Heritable Property 2016 £	Total Heritable Property 2015 £
Valuation				
At beginning	4,500,000	110,000	4,610,000	2,875,000
Revaluation gains/(loss) during the year	300,000	-	300,000	1,735,000
Valuation at 31 July 2016	4,800,000	110,000	4,910,000	4,610,000

The property (Albany House) was valued on 28 September 2006 by Ryden LLP, Property Consultants. The Directors consider the current values shown above are representative of the market value at 31.7.16 of their investment properties.

6 Debtors

	2016	2015
	£	£
Prepayments	283,997	1,680

7 Creditors: amounts falling due within one year

	2016	2015
	£	£
Amounts due to Merchant Company Endowments Trust	340,994	107,175
Social security and other taxation	1,256	12,661
Accruals and deferred income	3,563	27,953
Amount due to the Edinburgh Merchant Company	25,000	-
Inter-company control account – Endowments Trust	100,528	100,528
	471,341	248,317

In the financial year to 31 July 2016, MCET Limited borrowed £25,000 from the Merchant Company at a rate of 2% above base rate. The loan is repayable on demand and is subject to annual renegotiation.

MCET LIMITED

Notes to the Financial Statements

For the year ended 31 July 2016

8 Provisions for liabilities and charges

	2016 £	Restated 2015 £
Deferred tax liability		
Deferred tax provision on revalued assets	162,000	102,000

The movement on the deferred tax asset in the year was as follows:

	£	£
At 1 August 2015 – as restated	102,000	(245,000)
Movement in the year	60,000	347,000
At 31 July 2016	162,000	102,000

9 Share capital

	2016 £	2015 £
Authorised equity interests:		
Ordinary shares of £1 each	4,250,000	4,250,000
Allotted, called up and fully paid:		
Ordinary shares of £1 each	4,129,207	4,129,207

10 Reserves

	Non – distributable property reserve 2016	Profit and loss account 2016	Non – distributable property reserve 2015	Profit and loss account 2015
At start of year – as restated	408,000	(181,964)	(980,000)	(181,964)
Unrealised gain on revaluation of investment properties	300,000	-	1,735,000	-
Deferred tax on revaluation	(60,000)		(347,000)	
At end of year	648,000	(181,964)	408,000	(181,964)

11 Related party transactions

Some of the staff and overhead expenses of the company are met by the Edinburgh Merchant Company, a connected entity, and are recharged to the company. The value of the recharge this year was £10,710 (2015: £10,500). The Edinburgh Merchant Company also provided a loan of £25,000 (2015: £nil), which is included in creditors at the year end.

The company made a donation of £340,994 (2015: £318,905) to its ultimate parent, the Merchant Company Endowments Trust, during the year. The amount due to the Trust at the year end and included within creditors was £441,522 (2015: £207,703).

MCET LIMITED

Notes to the Financial Statements

For the year ended 31 July 2016

11 Ultimate parent undertaking and controlling party

The ultimate parent undertaking is The Merchant Company Endowments Trust, a charitable trust registered in Scotland. Copies of the group financial statements are available from the Merchants' Hall, 22 Hanover Street, Edinburgh, EH2 2EP.