

REGISTERED NUMBER: 04148580 (England and Wales)

**REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011
FOR
Valad Properties (Marsh Mills) Limited**

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Valad Properties (Marsh Mills) Limited (Registered number: 04148580)

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for the Year Ended 30 June 2011**

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Valad Properties (Marsh Mills) Limited

COMPANY INFORMATION
for the Year Ended 30 June 2011

DIRECTORS:	Valsec Director Limited A Slipper
SECRETARY:	Valad Secretarial Services Limited
REGISTERED OFFICE:	Europa House 20 Esplanade Scarborough North Yorkshire YO11 2AQ
REGISTERED NUMBER:	04148580 (England and Wales)
AUDITORS:	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Benson House 33 Wellington Street Leeds West Yorkshire LS1 4JP
BANKERS:	Bank of Scotland 2nd Floor New Ubertior House 11 Earl Grey Street Edinburgh EH3 9BN
SOLICITORS:	Shepherd and Wedderburn LLP Condor House 10 St Paul's Churchyard London EC4M 8AL

Valad Properties (Marsh Mills) Limited (Registered number: 04148580)

REPORT OF THE DIRECTORS
for the Year Ended 30 June 2011

The directors present their annual report and the audited financial statements of the company for the year ended 30 June 2011

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of property trading. However, the directors have a mutual agreement with the developer to put the development of the property on hold.

REVIEW OF BUSINESS

The Directors have a mutual agreement with the developer to put the development of the property on hold, and therefore both the level of activity for the year and the financial position at the end of the year were as anticipated.

The company's profit for the year is £3,084 (2010: loss of £62,568) and is dealt with as shown on the income statement.

DIVIDENDS

The directors have not recommended a dividend (2010: £nil).

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 July 2010 to the date of this report.

Valsec Director Limited
A Slipper

GOING CONCERN

Despite the current economic climate we have prepared the financial statements on a going concern basis. The justification for this is disclosed in the accounting policies note under going concern.

PRINCIPAL RISKS AND UNCERTAINTIES

The directors of D U K E Real Estate Limited manage the group's risks at a group level, rather than at an individual business unit level. For this reason, the company's directors believe that a discussion of the company's risks would not be appropriate for an understanding of the development, performance or position of the business of the company. The principal risks and uncertainties of D U K E Real Estate Limited, which include those of the company, are discussed in the group's annual report which does not form part of this report.

KEY PERFORMANCE INDICATORS

The directors of D U K E Real Estate Limited manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators of the company is not necessary or appropriate for an understanding of the development, performance or position of the business of the company. The development, performance and position of D U K E Real Estate Limited, which includes the company, is discussed in the group's annual report, which does not form part of this report.

FINANCIAL RISK MANAGEMENT

The company's financial risk management is set out in detail in note 16 to the financial statements.

Valad Properties (Marsh Mills) Limited (Registered number: 04148580)

**REPORT OF THE DIRECTORS
for the Year Ended 30 June 2011**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they 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

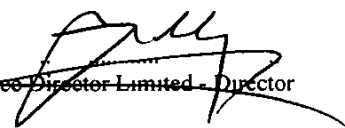
- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state that the financial statements comply with IFRS,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) 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 in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ON BEHALF OF THE BOARD:


Valad Properties Limited - Director
Date **21 MAY 2012**

JAMES MADDY

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF VALAD PROPERTIES (MARSH MILLS) LIMITED

We have audited the financial statements of Valad Properties (Marsh Mills) Limited for the year ended 30 June 2011 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, 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 and express an opinion on 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 financial statements 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 30 June 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures given in note 1 to the financial statements concerning the ability of the Company to continue as a going concern. We note that the matters set out in note 1 to the financial statements indicate the existence of material uncertainties which may cast significant doubt over the ability of the Company to continue as a going concern. The uncertainty disclosed in note 1 is around the timing and value of the property sales needed to meet the repayment covenant on 30 June 2013 and the risk that should the property sales not be made in line with the business plan, and therefore not at the level to meet the repayment covenant, then the facility would need to be renegotiated. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

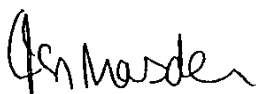
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors 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 and 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.



Ian Marsden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

Date **21 MAY 2012**

Valad Properties (Marsh Mills) Limited (Registered number: 04148580)

**INCOME STATEMENT
for the Year Ended 30 June 2011**

	Notes	30 6 11 £'000	30 6 10 £'000
CONTINUING OPERATIONS			
Revenue		-	(1)
Other operating income		-	96
Impairment of inventories		27	-
Administrative expenses		(24)	-
		<u>3</u>	<u>95</u>
OPERATING PROFIT			
Finance costs	3	-	(158)
		<u>3</u>	<u>(63)</u>
PROFIT/(LOSS) BEFORE INCOME TAX			
Income tax	5	-	-
		<u>3</u>	<u>(63)</u>
PROFIT/(LOSS) FOR THE YEAR			
		<u><u>3</u></u>	<u><u>(63)</u></u>

The notes form part of these financial statements

Valad Properties (Marsh Mills) Limited (Registered number: 04148580)

STATEMENT OF COMPREHENSIVE INCOME
for the Year Ended 30 June 2011

	30 6 11 £'000	30 6 10 £'000
PROFIT/(LOSS) FOR THE YEAR	3	(63)
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>3</u>	<u>(63)</u>

The notes form part of these financial statements

Valad Properties (Marsh Mills) Limited (Registered number: 04148580)

STATEMENT OF FINANCIAL POSITION
30 June 2011

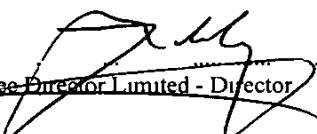
	Notes	30 6 11 £'000	30 6 10 £'000
ASSETS			
CURRENT ASSETS			
Inventories	6	1,428	1,400
Receivables	7	-	21
		<u>1,428</u>	<u>1,421</u>
TOTAL ASSETS		<u>1,428</u>	<u>1,421</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	8	-	-
Retained earnings	9	(1,268)	(1,271)
TOTAL EQUITY		<u>(1,268)</u>	<u>(1,271)</u>
LIABILITIES			
CURRENT LIABILITIES			
Payables	10	2,696	2,692
TOTAL LIABILITIES		<u>2,696</u>	<u>2,692</u>
TOTAL EQUITY AND LIABILITIES		<u>1,428</u>	<u>1,421</u>

The financial statements on pages 5 to 21 were approved by the Board of Directors on
were signed on its behalf by

21 MAY 2012

and

For and on behalf of


Valad Properties Limited - Director

JAMES MADDY

The notes form part of these financial statements

Valad Properties (Marsh Mills) Limited (Registered number. 04148580)

STATEMENT OF CHANGES IN EQUITY
for the Year Ended 30 June 2011

	Profit and loss account £'000	Total equity £'000
Balance at 1 July 2009	(1,208)	(1,208)
Changes in equity		
Total comprehensive income	(63)	(63)
Balance at 30 June 2010	<u>(1,271)</u>	<u>(1,271)</u>
Changes in equity		
Total comprehensive income	3	3
Balance at 30 June 2011	<u><u>(1,268)</u></u>	<u><u>(1,268)</u></u>

The notes form part of these financial statements

Valad Properties (Marsh Mills) Limited (Registered number: 04148580)

STATEMENT OF CASH FLOWS
for the Year Ended 30 June 2011

	30 6 11	30 6 10
	£'000	£'000
Cash flows from operating activities		
Cash generated from operations	-	158
Interest paid	-	(158)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
Increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
	<u> </u>	<u> </u>
Cash and cash equivalents at end of year	<u> </u>	<u> </u>

The notes form part of these financial statements

Valad Properties (Marsh Mills) Limited (Registered number 04148580)

NOTES TO THE STATEMENT OF CASH FLOWS
for the Year Ended 30 June 2011

1 RECONCILIATION OF PROFIT/(LOSS) BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	30 6 11	30 6 10
	£'000	£'000
Profit/(loss) before income tax	3	(63)
Impairment of inventories	(27)	-
Finance costs	-	158
	<u>(24)</u>	<u>95</u>
Increase in inventories	(1)	-
Decrease in trade and other receivables	21	82
Increase/(Decrease) in trade and other payables	4	(19)
	<u>21</u>	<u>158</u>
Cash generated from operations	<u>-</u>	<u>158</u>

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2011**

1 ACCOUNTING POLICIES

Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with European Union ("EU") Endorsed International Financial Reporting Standards ("IFRSs"), IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties in accordance with IAS 40 'Investment Property'.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed on page 13.

New and amended standards adopted by the company

There have been no new standards or amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2010 that have impacted the company.

New interpretations and amendments not currently relevant to the company

The following new interpretations are mandatory for the first time for the financial year beginning 1 July 2010, but are not currently relevant to the company:

- IFRS 1 (Amendment) for additional exemptions - effective 1 January 2010. These amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4. The amendment is not currently relevant to the company's financial statements.

- IFRS 2 (Amendment), 'Share based payments - Group cash-settled share-based payment transactions' - effective 1 January 2010. These amendments provide a clear basis to determine the classification of share based payment awards in both consolidated and separate financial statements. The amendments incorporate IFRIC 8 and IFRIC 11 into the standard, expand on the guidance given in IFRIC 11 to address plans that were not considered in the interpretation and provides some useful tidying up to the definitions section of IFRS 2. The amendment is not currently relevant to the company's financial statements.

- IAS 32 (Amendment) Financial instruments: Presentation on classification of rights issues - effective 1 February 2010. The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Prior to the amendment, such rights issues were accounted for as derivative liabilities. The amendment states that, if such rights are issued pro rata to an entity's existing shareholders for a fixed amount of any currency, they should be classified as equity, regardless of the currency in which the exercise price is denominated. The amendment is not currently relevant to the company's financial statements.

- IFRS 1 (Amendment) First time adoption on financial instrument disclosures - effective 1 July 2010. This amendment provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7 regarding comparative information for the new three level classification disclosures. The amendment is not currently relevant to the company's financial statements.

- IFRIC 15, 'Arrangements for construction of real estates' - effective 1 January 2009 but EU endorsed for 1 January 2010. This interpretation clarifies which standard (IAS 18, Revenue, or IAS 11, 'Construction contracts') should be applied to particular transactions and is likely to mean that IAS 18 will be applied to a wider range of transactions. The interpretation is not currently relevant to the company's financial statements.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective 1 July 2010). This interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. The interpretation is not currently relevant to the company's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2011**

New and amended standards not effective for current financial year

The following new standards and amendments have been issued but are not effective for the financial year beginning 1 July 2010 and have not been adopted early

- IAS 24 (Amendment) - related party disclosures - effective for periods commencing on or after 1 January 2011
The company will apply IAS 24 (Amendment) from 1 July 2011. It is not expected to have a material impact on the company's financial statements

- IFRIC 14 (Amendment) - pre-payments of a Minimum Funding Requirement - effective for periods commencing on or after 1 January 2011. The company will apply IFRIC 14 (Amendment) from 1 July 2011. It is not expected to have a material impact on the company's financial statements

- IAS 19 (Amendment) - Employee benefits - significant change to the recognition, measurement and presentation of defined benefit pension expense - effective for periods beginning on or after 1 January 2013. The company will apply IAS 19 (Amendment) from 1 July 2013

- IFRS 9 (Amendment) - to include guidance on financial liabilities and de-recognition of financial instruments - effective for periods beginning on or after 1 January 2013. The company will apply IFRS 9 (Amendment) from 1 July 2013

- IFRS 10 - Consolidated financial statements - guidance for preparation and presentation. Effective for periods beginning on or after 1 January 2013. The company will apply IFRS 10 (Amendment) from 1 July 2013, but it is not expected to have a material impact on the company's financial statements

- IFRS 11 - Joint arrangements - Principles for financial reporting for parties of a joint arrangement - effective for periods beginning on or after 1 January 2013. The company will apply IFRS 11 (Amendment) from 1 July 2013, but it is not expected to have a material impact on the company's financial statements

- IFRS 12 - Disclosure of interests in other entities (subsidiaries, joint arrangements, associates) - effective for periods beginning on or after 1 January 2013. The company will apply IFRS 12 (Amendment) from 1 July 2013, but it is not expected to have a material impact on the company's financial statements

- IFRS 13 - Fair value measurement - definition, measurement and disclosure. Effective for periods beginning on or after 1 January 2013. The company will apply IFRS 13 (Amendment) from 1 July 2013, but it is not expected to have a material impact on the company's financial statements

General information

The company is a limited liability company incorporated and domiciled in England and Wales. The address of its registered office is Europa House, 20 Esplanade, Scarborough, North Yorkshire, YO11 2AQ

Revenue

Revenue comprises rental income arising from investment properties, including lease incentives, which are accounted for on a straight line basis over the lease term of ongoing leases. Revenue is recognised to the extent it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. All such revenue is reported net of discounts and value added and other sales taxes

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2011

1 ACCOUNTING POLICIES - continued

Financial instruments

The company recognises financial instruments when it becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual right to receive the cash flows expires or it has transferred the financial asset and the economic benefit of the cash flows. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Financial instruments are used to support the company's operations. Interest is charged to the income statement as incurred or earned. Issue costs for instruments subsequently recorded at amortised cost are netted against the fair value of the related debt instruments on initial recognition and are charged to the income statement over the term of the relevant facility.

Financial instruments are recorded initially at fair value. Subsequent measurement depends on the designation of the instrument, as follows:

- a) Financial assets/liabilities held for short term gain, including derivatives other than hedging instruments, are measured at fair value and movements in fair value are credited/charged to the income statement in the year.
- b) Loans and receivables/payables and non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market are measured at amortised cost. These are included in current assets/liabilities except for instruments that mature after more than 12 months which are included in non current assets/liabilities.

Critical judgements in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements, and the key areas summarised below:

Areas of judgement and sources of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements are:

Assessment of net realisable value of development property inventory
Development appraisals have been undertaken to estimate the residual value of the landholding after due regard to the cost of and revenue from the development of the property.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other repair and maintenance expenditures are charged to the Income Statement during the financial period in which they are incurred.

Interest incurred on development projects is only capitalised on all qualifying assets that are large new build developments and major refurbishments to the extent that they are capital in nature. A property ceases to be treated as being in the course of development when substantially all the activities that are necessary to prepare the property for use are complete.

Impairment on inventories is recorded in the income statement.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2011

1 ACCOUNTING POLICIES - continued

Taxation

Current tax

The expense or credit for current tax is based on the results for the year adjusted for items that are either not subject to taxation or for expenditure which cannot be deducted in computing the tax expense or credit. The tax expense or credit is calculated using taxation rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax

Deferred tax is recognised using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax is recognised in respect of all taxable temporary differences, with certain limited exceptions:

- deferred tax is not provided on the initial recognition of an asset or liability in a transaction that does not affect accounting profit or taxable profit and is not a business combination, and

- deferred tax assets are only recognised if it is probable that there will be sufficient profits from which the future reversal of the temporary differences can be deducted. In deciding whether future reversal is probable, the directors review the company's forecasts and make an estimate of the aggregate deferred tax asset that should be recognised. This aggregate deferred tax asset is then allocated into the different categories of deferred tax.

In relation to investment properties, a deferred tax liability is provided on the basis of normal revenue tax rules for the proportion of the property's carrying amount expected to be recovered through use and is provided using capital gains tax rules in respect of the remainder of the property's carrying amount (including all land) expected to be recovered through sale. Provision is made for gains on disposal of property, plant and equipment that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets.

Deferred tax is calculated at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except where it applies to items credited or charged to equity, in which case the deferred tax is also dealt with in equity.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2011

1 ACCOUNTING POLICIES - continued

Going Concern

The financial statements have been prepared on the going concern basis which assumes that the Company and the ultimate parent Company D U K E Real Estate Limited ("Group") will be able to continue in operation for the foreseeable future

The Company is a party to a cross guarantee with all other subsidiaries in the Group and is therefore dependent on the ability of the Group to continue as a Going Concern

The Group incurred a loss for the year of £121.5m and had a net deficit on the balance sheet of £238.1m as at 30 June 2011, largely reflecting losses arising on interest rate swaps and write-downs of real estate assets because of unprecedented prevailing economic conditions

On 22 March 2012 the Group, including German Aktiv Property Fund LP ("GAF") signed new banking facilities with Lloyds Banking Group which provide committed facilities through to 31 December 2016

The debt package takes the form of two separate facilities, one for GAF and one for the rest of the Group. The two facilities essentially mirror each other and contain cross collateralisation and cross default provisions. The Group facility includes £180.0m of subordinated debt upon which no interest is paid. All fees associated with the facilities are paid only at the earlier of full repayment or expiry, which management expect will be no earlier than 31 December 2016.

Both facilities include debt repayment covenants, valuation test covenants and cash flow cover covenants. The first test date for the debt repayment and valuation covenants is 30 June 2013. The cash flow cover covenant comprises a rolling 12 month look forward which must demonstrate the Group will remain cash positive and is tested quarterly from 31 March 2012.

In forming their view of going concern, the Directors have prepared detailed financial models for both GAF and the rest of the Group through to 31 December 2016. These models forecast a programme of asset disposals which enable the various covenants to be met and are based upon a detailed strategy at both an asset and fund level which the Directors have already begun to implement. The key assumptions inherent in these projections relate to property sales values, timing of disposals, the income and cost profile of each property asset along with the borrowing costs of the Group. The Directors have carefully considered these assumptions and made an assessment of whether the assumptions are reasonable paying particular attention to key sensitivities such as cash headroom, assumed swap rates and the value and timing of asset disposals. Given the inherent uncertainty in the timing and value of the property sales, there is a risk that the required sales needed to meet the repayment covenants are not made in the envisaged timescale, which would result in a technical default in the facilities and would require the facilities to be renegotiated with the bank. The Directors are confident that a successful renegotiation would be achieved.

Taking all the above into account, together with the close relationship the Group has with its bankers who are also 50% shareholders in the Group, and notwithstanding that the Group has a net deficit on the balance sheet of £238.1m at 30 June 2011, the Directors believe that the Group and GAF will be able to meet their liabilities as they fall due for the foreseeable future and that it is appropriate to prepare the Company financial statements on the going concern basis.

In the event that property sales are not made in line with the business plan and are not at the level to meet the repayment covenants, then the facility would need to be renegotiated, which the Directors are confident would be achieved. This however represents a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern. The financial statements do not include any adjustments that would result from them not being prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2011

1 ACCOUNTING POLICIES - continued

Cash and cash equivalents

In the preparation of the company's statement of cash flows, cash and cash equivalents represent short term liquid investments which are readily realisable. Cash which is subject to restrictions, being held to match certain liabilities, is included in cash and cash equivalents in the balance sheet.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividend distribution

Dividend distribution to the company's shareholders is recognised in the financial statements in the year in which the dividends are paid.

Impairment

The carrying value of cash generating units (taking into account related liabilities and allocated central net assets) is tested for impairment by comparison with expected relevant future cash flows discounted at the pre-tax cost of capital taking into account appropriate risk; provision is made for any impairment identified.

When a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the present value of expected future cash flows of the relevant cash generating unit) or 'fair value less costs to sell'. Where there is no binding sale agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the company could receive for the cash generating unit in an arm's length transaction.

Receivables

Receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due. Indicators of impairment would include financial difficulties of the debtor, likelihood of the debtor's insolvency, default in payment or a significant deterioration in credit worthiness. Any impairment is recognised in the income statement within 'administrative expenses'. When a receivable is uncollectible, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against 'other operating income and expenses' in the income statement.

Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 EMPLOYEES AND DIRECTORS

The company had no employees during the current or prior year.

Directors' emoluments

The directors are executives of the Valad (Europe) plc group. D U K E Real Estate Limited, the ultimate parent company, has a management agreement with Valad Management Services Limited, a subsidiary of Valad (Europe) plc. The management charge is invoiced to D U K E Real Estate Limited and a recharge is not made to subsidiary companies. The management charge includes various costs and the directors' remuneration cannot be separately identified.

3 NET FINANCE COSTS

	30 6 11 £'000	30 6 10 £'000
Finance costs		
Interest payable to group undertakings	-	158

Valad Properties (Marsh Mills) Limited (Registered number: 04148580)

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2011

4 PROFIT/(LOSS) BEFORE INCOME TAX

The profit before income tax (2010 - loss before income tax) is stated after charging/(crediting)

	30 6 11	30 6 10
	£'000	£'000
Reversal of impairment of inventories	(27)	-
	<u></u>	<u></u>

Auditors' remuneration

The audit fee of the company for the current and prior year is borne by the ultimate parent company, D U K E Real Estate Limited

5 INCOME TAX

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 30 June 2011 nor for the year ended 30 June 2010

Factors affecting the tax charge

The tax assessed for the year is lower (2010 - higher) than the standard rate of corporation tax in the UK. The difference is explained below

	30 6 11	30 6 10
	£'000	£'000
Profit/(loss) on ordinary activities before tax	3	(63)
	<u></u>	<u></u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 27.500% (2010 - 28%)	1	(18)
Effects of Group relief surrendered for nil consideration	(1)	18
	<u></u>	<u></u>
Total income tax	-	-
	<u></u>	<u></u>

The main rate of UK corporation tax was reduced from 28% to 26% with effect from 1 April 2011. The rate will be reduced to 24% with effect from 1 April 2012. Further reductions are proposed to reduce the main rate by 1% per annum to 22% by 1 April 2014.

6 INVENTORIES

	30 6 11	30 6 10
	£'000	£'000
At the end of the year	1,428	1,400
	<u></u>	<u></u>

The amount shown above is stated after cumulative impairment provisions of £1,154,627 (2010: £1,181,300)

7 RECEIVABLES

	30 6 11	30 6 10
	£'000	£'000
Current	-	21
Other receivables	<u></u>	<u></u>

Valad Properties (Marsh Mills) Limited (Registered number: 04148580)

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2011

7 RECEIVABLES - continued

The carrying amount of receivables approximates to their fair value. All of the company's receivables are denominated in sterling.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables as disclosed in note 11. The company does not hold any collateral as security.

The receivables do not contain impaired assets.

8 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid
Number Class

Nominal
value
£1

30 6 11
£
1

30 6 10
£
1

1 Ordinary

9 RESERVES

Retained
earnings
£'000

At 1 July 2010
Profit for the year

(1,271)
3

At 30 June 2011

(1,268)

10 PAYABLES

30 6 11
£'000

30 6 10
£'000

Current
Amounts owed to group undertakings

2,696

2,692

All amounts owed to group undertakings are repayable on demand, carry no security and are interest free (2010 interest charged at 6% per annum)

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2011

11 FINANCIAL INSTRUMENTS

The company's principal financial instruments include receivables and payables

Other financial assets and liabilities	30 6 11		30 6 10	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Assets				
Receivables excluding prepayments	0	0	21	21
Liabilities				
Payables	(2,696)	(2,696)	(2,692)	(2,692)

In accordance with IAS 39, the company classifies the assets and liabilities in the analysis above as 'loans and receivables' and 'other financial liabilities', respectively. At the 2011 and 2010 year ends, the company did not have any 'held to maturity' or 'available for sale' financial assets or 'held for trading' financial assets and liabilities as defined by IAS 39.

For other financial assets and liabilities, which are all short-term in nature, the carrying value approximates to fair value.

12 ULTIMATE PARENT COMPANY

The company's immediate parent undertaking is Valad Properties (UK) Limited.

The company's ultimate parent undertaking, D U K E Real Estate Limited, is jointly owned by Uberior Europe Limited (a subsidiary of Lloyds Banking Group plc - a UK entity) and Valad Capital Limited. At 30 June 2011 Valad Capital Limited's ultimate parent company was Valad Property Group, an Australian listed entity. Following the acquisition of Valad Property Group by Blackstone Real Estate Partners VI Limited Partnership on 26 August 2011, Valad Capital Ltd's ultimate parent company is now Blackstone Real Estate Partners VI Limited Partnership.

D U K E Real Estate Limited is the parent company of the smallest and largest group for which consolidated financial statements are drawn up and of which the company is a member. Copies of the consolidated financial statements of D U K E Real Estate Limited can be obtained from Exchange Place 3, 3 Sempole Street, Edinburgh, EH3 8BL.

13 CONTINGENT LIABILITIES

The company is party to a guarantee covering the bank loans and overdrafts of the D U K E Real Estate Limited group, with the exception of German Aktiv Property Fund LP ("GAF"). The borrowings covered by the guarantee amounted to £549,029,000 at 30 June 2011 (2010 £528,116,000). The guarantee is secured by a standard security over fixed assets and a floating charge over the assets of the respective companies.

Any event of default by GAF in relation to its loans from Lloyds Banking Group would automatically trigger a default on other debt within D U K E Real Estate Limited group. In all other respects GAF is ring fenced from the rest of the group in terms of its banking arrangements.

Valad Properties (Marsh Mills) Limited (Registered number 04148580)

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2011

14 RELATED PARTY DISCLOSURES

Amounts owed to group undertakings

The funding of D U K E Real Estate Limited and its subsidiaries ('the group') is controlled centrally. Resources are allocated to different entities within the Group according to their needs, which constantly vary due to differing trading patterns, seasonality and other factors. The amounts owed at the year end disclosed in note 10 are all owed by Valad Properties (Marsh Mills) Limited to Valad Property Holdings (UK) Limited, itself a wholly owned subsidiary of D U K E Real Estate Limited.

Transactions with group undertakings

The following transactions were carried out with group undertakings

	30 6 11 £'000	30 6 10 £'000
Interest payable	-	(158)

15 POST BALANCE SHEET EVENTS

On 26 August 2011 Valad Property Group was acquired by Blackstone Real Estate Partners VI Limited Partnership, consequently they are the new ultimate owners of Valad Capital Limited the joint controllers of the Group.

On 22 March 2012 the Group, including German Aktiv Property Fund LP, signed new banking facilities with Lloyds Banking Group which provide committed facilities through to 31 December 2016.

More detail is disclosed in the statement of accounting policies note on page 15.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2011

16 FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks credit risk and liquidity risk The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance

Risk management is carried out by a central treasury function on a group-wide basis under policies approved by the board of directors The central treasury function identifies, evaluates and hedges financial risks in close co-operation with the group's investment property businesses The board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity

(a) Credit risk

The company is subject to credit risk arising from outstanding receivables The company's policy is to manage credit exposure to trading counterparties within defined trading limits All of the company's significant counterparties are assigned internal credit limits

If any of the company's customers are independently rated, these ratings are used Otherwise, if there is no independent rating, the company assesses the credit quality of the customer taking into account its financial position, past experience and other factors

(b) Liquidity risk

The company is subject to the risk that it will not have sufficient borrowing facilities to fund its existing business and its future plan for growth The company manages its liquidity requirements with the use of both short and long-term cash flow forecasts These forecasts are supplemented by a financial headroom position which is used to demonstrate funding adequacy for at least a 12 month period

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities Due to the dynamic nature of the underlying businesses, the central treasury function aims to maintain flexibility in funding by keeping committed credit lines available

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to its parent, issue new shares or sell assets to reduce debt