Valad Properties (Marsh Mills) Limited

Annual report and financial statements

for the year ended 30 June 2010

Company Registration Number 4148580

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DIRECTORS, OFFICERS AND PROFESSIONAL SERVICE PROVIDERS

For the year ended 30 June 2010

COMPANY REGISTRATION NUMBER

4148580

THE BOARD OF DIRECTORS

Valsec Director Limited
A Slipper

COMPANY SECRETARY

Valad Secretarial Services Limited

REGISTERED OFFICE

Europa House
20 Esplanade
Scarborough
North Yorkshire
YO11 2AQ

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Benson House
33 Wellington Street
Leeds
LS1 4JP

SOLICITORS

Shepherd and Wedderburn LLP
Condor House
10 St Paul's Churchyard
London
EC4M 8AL

BANKERS

Bank of Scotland
New Uberior House
11 Earl Grey Street
Edinburgh
EH3 9BN

The Directors present their annual report and the audited financial statements of the Company for the year ended 30 June 2010.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the Company is that of property trading However, 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

RESULTS AND DIVIDENDS

The Company's loss for the year is £62,568 (2009 £1,238,202) and is dealt with as shown on the income statement The Directors have not recommended a dividend (2009 £nil)

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

DIRECTORS

The Directors who served the Company during the year and up to the date of this report were as follows

Valsec Director Limited
Andrew Slipper

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors of D U K E Real Estate Limited (formerly Valad (Hurst) 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 11 to the financial statements

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) 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 whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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

PROVISION OF INFORMATION TO AUDITORS
So far as each Director is aware, there is no relevant audit information of which the Company's auditors, PricewaterhouseCoopers LLP 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

F L Kennedy
for and on behalf of Valsec Director Limited
Director
30 September 2010

INDEPENDENT AUDITORS' REPORT 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 2010 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, 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 on page 4, 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 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

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 2010 and of its loss and cash flows 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

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 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

Derek Coe (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
30 September 2010

Valad Properties (Marsh Mills) Limited

Company Registration Number 4148580

INCOME STATEMENT

For the year ended 30 June 2010

	Note	Year ended 30 June 2010 £	Year ended 30 June 2009 £
REVENUE		-	-
Cost of sales		-	-
GROSS PROFIT		-	-
Impairment of inventories		-	(1,181,300)
Other operating income		**95,552**	102,575
OPERATING PROFIT/(LOSS)	2	**95,552**	(1,078,725)
Finance costs	5	**(158,120)**	(159,477)
LOSS BEFORE TAX		**(62,568)**	(1,238,202)
Income tax expense	6	-	-
LOSS FOR THE YEAR		**(62,568)**	(1,238,202)

All activities are derived from continuing operations

There have been no recognised income or expenses other than the results above, therefore, no Statement of Comprehensive Income is presented

Valad Properties (Marsh Mills) Limited

Company Registration Number 4148580

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010

	Ordinary shares	Retained earnings/ (accumulated loss)	Total equity/(deficit)
	£	£	£
Balance at 1 July 2008	1	29,886	29,887
Loss for the year	-	(1,238,202)	(1,238,202)
Balance at 30 June 2009	**1**	**(1,208,316)**	**(1,208,315)**
Loss for the year	-	(62,568)	(62,568)
Balance at 30 June 2010	**1**	**(1,270,884)**	**(1,270,883)**

Valad Properties (Marsh Mills) Limited

Company Registration Number 4148580

STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Note	2010 £	2009 £
CURRENT ASSETS			
Inventories	7	**1,400,000**	1,400,000
Receivables	8	**21,067**	102,575
		1,421,067	1,502,575
CURRENT LIABILITIES			
Payables	9	**(2,691,950)**	(2,710,890)
NET CURRENT LIABILITIES		**(1,270,883)**	(1,208,315)
NET LIABILITIES		**(1,270,883)**	(1,208,315)
EQUITY			
Ordinary shares	12	**1**	1
Accumulated loss		**(1,270,884)**	(1,208,316)
TOTAL DEFICIT		**(1,270,883)**	(1,208,315)

The financial statements on pages 6 to 19 were approved by the Board of Directors on and were signed on its behalf by

F J Kennedy
for and on behalf of Valsec Director Limited
Director
30 September 2010

Valad Properties (Marsh Mills) Limited

Company Registration Number 4148580

STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

	2010 £	2009 £
Cash flows from operating activities		
Loss for the year	**(62,568)**	(1,238,202)
Impairment of inventories	-	1,181,300
Finance costs	158,120	159,477
Operating cash flow before movements in working capital	**95,552**	102,575
Decrease/(increase) in receivables	81,508	(101,263)
(Decrease)/increase in payables	(18,940)	158,165
Net cash generated from operations	**158,120**	159,477
Interest paid	(158,120)	(159,477)
Net cash generated from operating activities	-	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at start of year	-	-
Cash and cash equivalents at end of year	-	-

1. ACCOUNTING POLICIES

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

Basis of preparation
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

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 14

New and amended standards adopted by the Company

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2009

- IAS 1 (revised), 'Presentation of Financial Statements', The most significant change within IAS 1 (revised) is the requirement to produce a statement of comprehensive income setting out all items of income and expense relating to non-owner changes in equity There is choice between presenting comprehensive income in one statement or in two statements comprising an income statement and a separate statement of comprehensive income The Company has elected to present comprehensive income in two statements In addition, IAS 1 (revised) requires the statement of changes in shareholders' equity to be presented as a primary statement The other revisions to IAS 1 have not had a significant impact on the presentation of the Company's financial information The 2010 financial statements have been prepared under the revised disclosure requirements

- IFRS 2 (amendment), 'Share-based payment', deals with vesting conditions and cancellations It clarifies that the only conditions that are vesting are service conditions and performance conditions only and other features of a share-based payment are not The Company has adopted IFRS 2 (amendment) from 1 July 2009 The amendment does not have a material impact on the Company's financial statements

- IFRS 3 (revised), 'Business Combinations' and consequential amendments to IAS 27, 'Consolidated and Separate Financial Statements', IAS 28, 'Investments in Associates' and IAS 31, 'Interests in Joint Ventures', effective prospectively to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after 1 July 2009 The Company has adopted IFRS 3 (revised) to all business combinations from 1 July 2009 The impact of IFRS 3 (revised) on the Company's results is not significant at 30 June 2010

- IFRS 7 'Financial instruments - Disclosures' (amendment), the amendment requires enhanced disclosures about fair value measurement and liquidity risk In particular, the amendment requires disclosure of fair value measurements by level The amendment does not have a material impact on the Company's financial statements

1. ACCOUNTING POLICIES (CONTINUED)

New and amended standards adopted by the Company (continued)

- IFRS 8, 'Operating Segments' IFRS 8 replaces IAS 14, 'Segment Reporting', and requires the disclosure of segment information on the same basis as the management information provided to the chief operating decision-maker The chief operating decision-maker has been identified as the Board of D U K E Real Estate Limited, the ultimate parent company The adoption of this standard has not resulted in a change in the Company's reportable segments

- IAS 23 (revised), 'Borrowing Costs' IAS 23 (revised), requires the capitalisation of borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use) The adoption of this standard has resulted in a change in accounting policy as the Company previously elected to expense borrowing costs as incurred The impact of IAS 23 (revised) on the Company's results is not significant at 30 June 2010

New interpretations not currently relevant to the Company

The following new interpretations are mandatory for the first time for the financial year beginning 1 July 2009, but are not currently relevant to the Company

- IFRIC 13 'Customer Loyalty Programmes',
- IFRIC 14 'IAS 19 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction',
- IFRIC 15, 'Agreements for the Construction of Real Estate',
- IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation',
- IFRIC 17, 'Distributions of Non-Cash Assets to Owners', and
- IFRIC 18, 'Transfers of Assets From Customers'

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 2009 and have not been adopted early

- IAS 1 (amendment), 'Presentation of financial statements', effective for annual periods commencing on or after 1 January 2010 The Company will apply IAS 1 (amendment) from 1 July 2010 It is not expected to have a material impact on the Company's financial statements

- IAS 24 (amendment), 'Related party disclosures', effective for annual 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

- IAS 32 (amendment), 'Financial instruments Presentation on classification or rights issues', effective for annual periods commencing on or after 1 February 2010 The Company will apply IAS 32 (amendment) from 1 July 2010 It is not expected to have a material impact on the Company's financial statements

- IFRS 2 (amendment), 'Group cash-settled share-based payment transaction', effective for annual periods commencing on or after 1 January 2010 The Company will apply IFRS 2 (amendment) from 1 July 2010 It is not expected to have a material impact on the Company's financial statements

1. ACCOUNTING POLICIES (CONTINUED)

New and amended standards not effective for current financial year (continued)

- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations', effective for annual periods commencing on or after 1 January 2010 The Company will apply IFRS 5 (amendment) from 1 July 2010 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

Going concern

The financial statements have been prepared on the going concern basis which assumes that the Company will be able to continue in operation for the foreseeable future The Company is a subsidiary of the D U K.E Real Estate Limited ("D U K E") Group and the Directors have taken into account its reliance on financial support provided by Group companies The Company is also party to a cross guarantee in relation to the Group's bank borrowings and consequently the going concern status of the wider Group has to be taken into account when considering the going concern position of the Company

The Group incurred a loss for the year of £74m and had a net deficit on the balance sheet of £119m as at 30 June 2010, largely reflecting losses arising on interest rate swaps and prior year write-downs of real estate assets because of unprecedented prevailing economic conditions In July 2009, the Group agreed new banking facilities with Lloyds Banking Group, the Group's UK/Europe facility is repayable on 30 June 2011 However the Group has the option to extend for a further twelve months period on payment of a fee of £7 5m or in return for an increase in the blended margin across all facilities of 0 75% The facility includes cross guarantee and cross default provisions In preparing these accounts, the Directors have assumed have that the option to extend will be exercised

In forming their view as to going concern, the Directors have prepared working capital projections for the Group (including the company) for the period to 30 June 2012 based on its trading forecasts and taking into account the medium term nature of the facilities described above The projections indicate, taking into account the relatively predictable nature of the Group's income and costs, that the Group will be able to operate within their agreed banking facilities and existing cash resources Further details on the Group's going concern position are set out in the consolidated financial statements of D U K E Real Estate Limited

In addition the parent company has confirmed that it will provide the necessary financial support to the Company to enable it to meet its liabilities as they fall due for a period of at least 12 months from the date of signing these financial statements

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 £119m at 30 June 2010, the Directors believe that the Group and hence this Company will be able to meet their liabilities as they fall due for the foreseeable future and that it is appropriate to prepare these financial statements on the going concern basis

1. ACCOUNTING POLICIES (CONTINUED)

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

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

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

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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

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

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

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 (in the case of interim dividends) or approved by the Company's shareholders (in the case of final dividends)

2. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging

	Year ended 30 June 2010 £	Year ended 30 June 2009 £
Impairment of inventories	-	(1,181,300)

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

3. EMPLOYEE EXPENSES

The Company had no employees during the current or prior year

4. DIRECTORS' EMOLUMENTS

The Directors are executives of the Valad (Europe) plc 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 other costs and the Directors' remuneration cannot be separately identified

5. FINANCE COSTS

	Year ended 30 June 2010 £	Year ended 30 June 2009 £
Interest payable to Group undertakings	**(158,120)**	(159,477)

6. INCOME TAX EXPENSE

Components of income tax expense

	Year ended 30 June 2010 £	Year ended 30 June 2009 £
Current tax		
UK corporation tax	-	-
Adjustments to current tax in respect of prior years	-	-
Total income tax expense	-	-

The tax assessed for the year is higher (2009 higher) than the standard rate of corporation tax in the UK of 28% (2009 28%)

Reconciliation of income tax expense to accounting loss:

	Year ended 30 June 2010 £	Year ended 30 June 2009 £
Loss before tax	**(62,568)**	(1,238,202)
Tax on loss at standard UK corporation tax rate of 28% (2009 28%)	**(17,519)**	(346,700)
Effects of		
Non-deductible impairment of inventories	-	330,764
Group relief surrendered for nil consideration	**17,519**	15,936
Income tax expense for the year	-	-

A number of changes to the UK corporation tax system were announced in the June 2010 Budget Statement The Finance Act (No 2) 2010 includes legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014

7. INVENTORIES

	2010 £	2009 £
At the end of the year	**1,400,000**	1,400,000

The amount shown above is stated after cumulative impairment provisions of £1,181,300 (2009: £1,181,300)

8. RECEIVABLES

	2010	2009
	£	£
Other receivables	**21,067**	102,575

The carrying amount of receivables approximate 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 10 The Company does not hold any collateral as security

The receivables do not contain impaired assets

9. PAYABLES

	2010	2009
	£	£
Amounts owed to Group undertakings	**2,691,950**	2,710,890

All amounts owed to Group undertakings are repayable on demand, carry no security and interest is charged at 6% per annum

10. FINANCIAL INSTRUMENTS

The Company's principal financial instruments include receivables and payables

Other financial assets and liabilities	**2010**		2009	
	Book value	**Fair value**	Book value	Fair value
	£	**£**	£	£
Assets				
Receivables	**21,067**	**21,067**	102,575	102,575
Liabilities				
Payables	**(2,691,950)**	**(2,691,950)**	(2,710,890)	(2,710,890)

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 2010 and 2009 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

11. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks liquidity risk and capital risk management 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 parent's 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

Liquidity risk
The Company and Group are subject to the risk that it will not have sufficient borrowing facilities to fund their existing business and its future plan for growth The Company and Group manage 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

12. ORDINARY SHARES

	2010	2009
	£	£
Authorised		
1,000 ordinary shares of £1 each	**1,000**	1,000
Issued and fully paid		
1 ordinary share of £1 each	**1**	1

13. RELATED PARTY TRANSACTIONS

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 9 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

	2010 £	2009 £
Interest payable	**(158,120)**	(159,477)

14. ULTIMATE PARENT UNDERTAKING

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 (a subsidiary of Valad Property Group – an Australian listed entity)

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 Semple Street, Edinburgh, EH3 8BL

15. CONTINGENT LIABILITY

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 £528,116,000 at 30 June 2010 (2009 £506,631,000) 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 the 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