Company Registration No. SC53092

CITY SITE ESTATES PLC

Report and Financial Statements

30 September 2010

CITY SITE ESTATES PLC

REPORT AND FINANCIAL STATEMENTS 2010

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CITY SITE ESTATES PLC

REPORT AND FINANCIAL STATEMENTS 2010

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Louis M Goodman	Managing Director
Richard Gilliland CA	Finance Director
James McCain	Property Director

SECRETARY

Stephen M Silver LLB, NP

REGISTERED OFFICE

145 St Vincent Street
Glasgow
G2 5JF

BANKERS

Bank of Scotland
Anglo Irish Bank Corporation plc
Nationwide Building Society
Bank of Ireland
Clydesdale Bank

SOLICITORS

Leslie Wolfson & Co, Glasgow
Hilmi & Partners LLP, London

INDEPENDENT AUDITORS

Deloitte LLP
Glasgow
United Kingdom

DIRECTORS' REPORT

The directors present their annual report on the affairs of the group together with the financial statements and auditors' report for the year ended 30 September 2010.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The group's principal activities are property investment, development, management and hotel operations. There have not been any significant changes in the group's principal activities in the year under review. The directors are not aware, at the date of this report, of any major changes in the group's activities in the next year.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

These group financial statements are prepared in accordance with IFRS.

The parent company's financial statements, included on pages 38 to 46, are prepared under United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

RESULTS

The loss for the year of £11.5 million (2009: loss of £12.7 million) is largely attributable to a loss of £4.3 million (2009: loss of £5.4 million) on the revaluation of investment properties and non-recurring items totalling £3.4m due to the write off of amounts due from fellow group undertakings.

The consolidated balance sheet on page 10 shows the group's financial position at the year end. The fall in net assets from £27.4 million to £15.9 million during the year reflects the loss for the year.

DIVIDENDS

The immediate holding company, Woodvale Estates Limited, and other related parties who own the outstanding preference shares, agreed to waive their right to redemption and payment of preference dividends and arrears of preference dividends for 5 years from 2008.

The directors do not recommend the payment of an ordinary dividend for the year (2009: £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

LIQUIDITY RISK

The group's portfolio consists of prime, quality investments, however if certain property values fall further, there is a risk that the group could breach additional borrowing covenants (see note 20 for details of covenant breaches in the year).

CREDIT RISK AND TENANT DEFAULT

The group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The group's occupational leases are largely long-term contracts which make the income relatively secure. However some tenants continue to face difficult operating conditions resulting in an increased risk that they may be unable to pay their rents.

INTEREST RATES

Interest is a significant cost for the group and therefore the group uses long and short-term interest rate swaps, caps and swaptions to manage this risk. The short-term outlook for interest rates is that they will remain low and this should benefit the group. There continues to be uncertainty over the future level of interest rates and therefore the group's policy to fix interest payments on long term debt provides greater certainty over the group's ability to meet its debt service covenants on an ongoing basis.

DIRECTORS' REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

PROPERTY VALUATIONS

The value of the group's property portfolio is affected by the conditions prevailing in the property investment market and the general economic environment, which are factors beyond the directors' control.

Our property portfolio is valued by the directors on an open market basis. The primary source of evidence for valuations is comparable market transactions on arms' length terms.

DEVELOPMENT AND LETTING

The present difficult economic conditions have made potential tenants more cautious about entering into commitments to lease space. As a consequence it is taking longer to agree new leases. In addition, incentives such as rent-free periods have increased.

We will not commit to any major new development or refurbishment schemes until market conditions improve.

GOING CONCERN

The group is funded largely through a combination of facilities from major UK and Irish banks totalling £69.0 million as at 30 September 2010. In addition, the group had long-term debentures of £17.3 million and £1.1 million of undrawn facilities available at 30 September 2010.

The group's facilities are secured on the properties they finance and are subject to covenants which are considered normal for the facilities provided. These typically relate to interest cover and loan to value (LTV) tests. As at 30 September 2010, the group had breached certain loan covenants as detailed in note 20. The directors are in discussions with the relevant banks in respect of each breach and believe that these discussions will result in facilities continuing to be made available to the group. The directors have approved a planned asset disposal programme over the next twelve months which is expected to address these breaches as well as reduce the overall level of indebtedness in the group to a level the directors consider more appropriate.

In the event that it is not possible to resolve these breaches, then the bank may have recourse to seek immediate repayment of the debt. In such a situation, the property would be sold and the debt repaid. If full payment is not possible, the bank has the option to take possession of the secured property.

The directors are also in discussions with the relevant banks regarding facilities which expire within twelve months from the date of approval of these financial statements and expect these to be extended beyond this period.

The directors have concluded that the combination of the possible circumstances noted above represents the existence of a material uncertainty which may cast significant doubt over the company and group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result if the group and company were unable to continue as a going concern.

The directors have prepared forecasts for a period in excess of twelve months from the date of approval of these financial statements. These forecasts include assumptions based on information available to the directors at the date of approval of the financial statements regarding the property market, future trading conditions, and the timing of future cash flows. After making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company and group have adequate resources available to continue in operational existence for at least the period ending twelve months from the date of approval of these financial statements. For these reasons, the directors continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' REPORT (CONTINUED)

KEY PERFORMANCE INDICATORS

We monitor the performance of our business by reference to clear targets for key performance indicators (KPIs). These KPIs are applied on a group wide basis.

To maximise the returns from the investment portfolio:

In the year, the investment portfolio declined in value by 5% compared to a decrease in value of 7% in the prior year.

To complete and let our properties under construction and development portfolios on time and on budget:

In the year, the group completed the construction of a major office building in Glasgow on target and on budget, and a marketing campaign was launched to secure tenants. Subsequent to the year end the property secured its first tenant and the group is in negotiations with further potential tenants.

To maximise the occupancy of our properties:

At the year end the void element of the investment portfolio was 9% compared to 11% in the prior year. The group aims to maximise the occupancy of its properties because income lost through vacancy has a direct impact on profitability. However an element of vacancy will always exist as a result of planned refurbishments and from tenancies coming to the end of their lease terms.

DIRECTORS

The following directors served throughout the year and to the date of this report:

Louis M Goodman
Richard Gilliland CA
James McCain

CHARITABLE DONATIONS

Donations of £6,845 (2009 - £12,915) were made to various charitable organisations during the year.

SUPPLIER PAYMENT POLICY

The company's policy, which is also applied by the group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the group at 30 September 2010 were equivalent to 40 days of purchases (2009 – 37), based on the average daily amount invoiced by suppliers during the year.

DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each of the persons who are directors of the company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

DIRECTORS' REPORT (CONTINUED)

INDEPENDENT AUDITORS

A resolution to re-appoint Deloitte LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

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

Stephen M Silver LLB, NP
Secretary

28 February 2011

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts 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 the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Managing Director	Finance Director
Louis M Goodman	Richard Gilliland
28 February 2011	28 February 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CITY SITE ESTATES PLC

We have audited the group and parent company financial statements (the "financial statements") of City Site Estates plc for the year ended 30 September 2010 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, and the related notes 1 to 34, and the parent company balance sheet and related notes 1 to 17. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and 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 Chapter 3 of Part 16 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, 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 group's and the parent 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 group's and of the parent company's affairs as at 30 September 2010 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 qualified, we have considered the adequacy of the disclosures made in Note 2 to the financial statements concerning the group and company's ability to continue as a going concern.

These disclosures, regarding the group's ability to cure loan covenant breaches and secure ongoing funding for facilities due for renewal within twelve months from the date of approval of these financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group and company's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the group and company were unable to continue as a going concern.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CITY SITE ESTATES PLC (CONTINUED)

Opinion on other matters 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:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements is 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.

James Boyle CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Glasgow
United Kingdom

28 February 2011

CONSOLIDATED INCOME STATEMENT
Year ended 30 September 2010

	Note	2010 £'000	2009 £'000
Continuing operations			
Revenue	4	9,238	14,824
Cost of sales		(5,680)	(9,061)
Gross profit		3,558	5,763
Administrative expenses		(2,254)	(2,375)
Other operating income	6	750	-
Share of results of joint ventures	15	14	67
Profit/(loss) on disposal of investment properties	6	1,145	(57)
Loss on revaluation of property, plant and equipment	6, 13	-	(1,873)
Loss on revaluation of investment properties	6, 14	(4,269)	(5,358)
Operating loss		(1,056)	(3,833)
Investment revenues	4, 8	32	136
Finance costs	9	(8,303)	(8,720)
Write off of amounts due from fellow group undertakings	10	(3,387)	-
Loss before taxation		(12,714)	(12,417)
Taxation	11	1,209	(295)
Loss for the year	6	(11,505)	(12,712)
Attributable to:			
Equity holders of the parent	27	(11,387)	(12,679)
Minority interest	28	(118)	(33)
		(11,505)	(12,712)

There were no gains or losses in either year other than the loss for those years. As such no consolidated statement of comprehensive income has been presented.

The accompanying notes are an integral part of this consolidated income statement.

CONSOLIDATED BALANCE SHEET
30 September 2010

	Note	2010 £'000	2009 £'000
Non-current assets			
Goodwill	12	-	233
Property, plant and equipment	13	12,766	13,179
Investment property	14	68,767	89,526
Investments	15	-	126
Other non-current assets	16	-	1,700
		81,533	104,764
Current assets			
Inventories	17	5,291	6,914
Trade and other receivables	18	69,628	68,413
Cash and cash equivalents	18	879	1,515
Total current assets		75,798	76,842
Total assets		157,331	181,606
Current liabilities			
Trade and other payables	19	(23,410)	(22,333)
Loans and borrowings	20	(39,519)	(26,374)
Derivative financial instruments	24	(296)	-
Total current liabilities		(63,225)	(48,707)
Net current assets		12,573	28,135
Non-current liabilities			
Loans and borrowings	20	(46,968)	(75,351)
Redeemable preference shares	21	(21,755)	(21,002)
Deferred tax liabilities	22	(2,843)	(3,878)
Obligations under finance leases	23	(1,957)	(1,957)
Derivative financial instruments	24	(4,725)	(3,348)
Total non-current liabilities		(78,248)	(105,536)
Total liabilities		(141,473)	(154,243)
Net assets		15,858	27,363
Equity			
Share capital	26	4,269	4,269
Capital redemption reserve	27	6,192	6,192
Retained earnings	27	5,504	16,891
Equity attributable to equity holders of the parent		15,965	27,352
Minority interest	28	(107)	11
Total equity	29	15,858	27,363

The accompanying notes are an integral part of this consolidated balance sheet.

The financial statements of City Site Estates plc, registered number SC53092, were approved by the board of directors and authorised for issue on 28 February 2011.

Signed on behalf of the Board of Directors

Louis M Goodman
Managing Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 September 2010

	Note	2010 £'000	2009 £'000
Net cash from operating activities	30	4,675	9,788
Investing activities			
Interest received		32	136
Proceeds on disposal of investment property		11,426	1,943
Investment property, property, plant and equipment additions		(1,883)	(14,586)
Dividends received from joint venture		140	-
Net cash from/(used) in investing activities		9,715	(12,507)
Financing activities			
Repayment of borrowings		(15,489)	(12,243)
New bank loans raised		985	10,697
(Decrease)/increase in bank overdrafts		(522)	2,104
Net cash (used in)/from financing activities		(15,026)	558
Net decrease in cash and cash equivalents		(636)	(2,161)
Cash and cash equivalents at beginning of year		1,515	3,676
Cash and cash equivalents at end of year		879	1,515

The accompanying notes are an integral part of this consolidated cash flow statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 30 September 2010

1. GENERAL INFORMATION

City Site Estates plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in note 5 and in the directors' report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates.

No new International Financial Reporting Standards were adopted during the year.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 1 (amended)/IAS 27 (amended)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 3 (revised 2008)	Business Combinations
IAS 23 (revised 2007)	Borrowing costs
IAS 27 (revised 2008)	Consolidated and Separate Financial Statements
IAS 28 (revised 2008)	Investments in Associates
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

Improvements to IFRSs (issued April 2009)

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the group.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The financial statements are prepared under the historical cost convention, modified to include the revaluation of investment property and land and buildings. The principal accounting policies are set out below.

Basis of consolidation

The group financial statements consolidate the financial statements of City Site Estates plc and its subsidiary undertakings for the year to 30 September 2010. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. The acquisition method of accounting has been used in respect of all acquired undertakings and the results are included in the consolidated income statement from the date of acquisition. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

No income statement is presented for City Site Estates plc as permitted by s408 of the Companies Act 2006.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

2. **ACCOUNTING POLICIES (CONTINUED)**

Going concern

The group is funded largely through a combination of facilities from major UK and Irish banks totalling £69.0 million as at 30 September 2010. In addition, the group had long term debentures of £17.3 million and £1.1 million of undrawn facilities available at 30 September 2010.

The group's facilities are secured on the properties they finance and are subject to covenants which are considered normal for the facilities provided. These typically relate to interest cover and loan to value (LTV) tests. As at 30 September 2010, the group had breached certain loan covenants as detailed in note 20. The directors are in continued discussions with the relevant banks in respect of each breach and believe that these discussions will result in facilities continuing to be made available to the group. The directors have approved a planned asset disposal programme over the next twelve months which is expected to address these breaches as well as reduce the overall level of indebtedness in the group to a level the directors consider more appropriate.

In the event that it is not possible to resolve these breaches, then the bank may have recourse to seek immediate repayment of the debt. In such a situation, the property would be sold and the debt repaid, provided the disposal value exceeded the debt. If this was not possible, the bank could take possession of the secured property.

The directors are also in discussions with the relevant banks regarding facilities which expire within twelve months from the date of approval of these financial statements and expect these to be extended beyond this period.

The directors have concluded that the combination of the possible circumstances noted above represents the existence of a material uncertainty which may cast significant doubt over the company and group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

The directors have prepared forecasts for a period in excess of twelve months from the date of approval of these financial statements. These forecasts include assumptions based on information available to the directors at the date of approval of the financial statements regarding the property market, future trading conditions, and the timing of future cash flows. After making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company and group have adequate resources available to continue in operational existence for at least the period ending twelve months from the date of approval of these financial statements. For these reasons, the directors continue to adopt the going concern basis in preparing the financial statements.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

2. ACCOUNTING POLICIES (CONTINUED)

Investment property

Investment property, which is property held to earn rentals and for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in the income statement in the period in which they arise.

Existing investment properties being redeveloped to earn future rental income continue to be treated as investment properties. Where an investment property is being redeveloped, any movement in valuation is recognised in the income statement. Disposals are recognised on completion, and gains and losses arising thereon are recognised in the income statement.

Head leases

Where an investment property is held under a head lease it is initially recognised as an asset as the sum of the premium paid on acquisition and the present value of the minimum ground rent payments. The corresponding rent liability to the head leaseholder is included in the balance sheet as a finance lease obligation.

Property, plant & equipment

Individual freehold land and buildings (other than investment properties) are revalued individually under a 5 year cycle, comprising a full valuation once every five years, an interim valuation in the third year of each cycle and a review in each other year of the cycle (followed by an interim valuation in the event that the review indicates a material change in value). The surplus or deficit on book value is transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property (or the reversal of such a deficit) is charged (or credited) to the income statement. A deficit which represents a clear consumption of economic benefits is charged to the income statement regardless of any previous recorded surplus.

Depreciation on revalued buildings is charged to the income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Other tangible fixed assets

Depreciation is provided at rates calculated to write off the cost or valuation of assets, other than land and properties under construction, less estimated residual value of each asset over its expected useful life, as follows:

Motor vehicles, plant & equipment	20 - 33% straight line
Fixtures & fittings	10% reducing balance
Computer equipment	25% straight line

Joint ventures

The consolidated income statement includes the group's share of the joint ventures' profits less losses, while the group's share of the net assets of the joint ventures is shown in the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

2. ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories comprise properties in the process of re-development with a view to eventual sale or transfers from investment property where there is clear evidence of a change of use. These properties are valued at the lower of cost and estimated net realisable value. Cost includes direct expenditure and capitalised interest. Interest is not capitalised where no development activity is taking place. Net realisable value represents the estimated sales price less costs estimated to be incurred up to the date of disposal. A property ceases to be treated as development property on practical completion.

Operating loss

Operating loss is stated after charging losses on revaluation and after the share of results of joint ventures but before investment revenues, finance costs and the write off of amounts due from fellow group undertakings.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and comprises gross rental income, service charge income, proceeds from development property sales, property management fees and income from hotel operations. These amounts are stated net of VAT.

Rentals income is recognised on a straight-line basis over the shorter of the entire lease term or the period to the first break option. Where a lease incentive payment, including surrender premiums paid, does not enhance the value of a property, it is amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date. Upon receipt of a surrender premium for the early determination of a lease, the profit, net of dilapidations and non-recoverable outgoings relating to the lease concerned is immediately reflected in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

2. ACCOUNTING POLICIES (CONTINUED)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term

The group as lessee

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to income on a straight-line basis over the period from the date of lease commencement to the earliest termination date. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the period from the date of lease commencement to the earliest termination date.

Retirement benefit costs

The group operates a defined contribution pension scheme. Contributions to the scheme are charged as an expense in the year in which they are payable to the scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Financial instruments

Financial assets and financial liabilities are recognised in the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

2. ACCOUNTING POLICIES (CONTINUED)

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps, caps and swaptions. Further details of derivative financial instruments are disclosed in notes 24 and 25 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The resulting gain or loss is recognised in profit or loss immediately. The Group has not designated its hedges for the application of hedge accounting. The Group does not hold or issue derivative financial instruments for speculative purposes.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Impairment of tangible assets

At each balance sheet date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key sources of estimation uncertainty that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Property valuations

As detailed in notes 13, 14 and 17, management has exercised judgement in determining the fair value of investment properties, net realisable value of development properties and land and buildings at the balance sheet date. Key assumptions underpinning valuations include current and future rental income, rental yields, void periods, rent free periods, location, and the type of property being valued.

Classification of properties

Management have considered the accounting policies detailed in note 2 when determining the appropriate classification of properties. Movement between the relevant classifications only occurs where there is clear evidence of a change of use.

4. REVENUE

An analysis of the group's revenue is as follows:

	2010 £'000	2009 £'000
Continuing operations		
Rental income	3,690	4,828
Service charges	497	652
Development property sales	1,973	6,043
Property services	455	1,008
Management fees	508	683
Hotel operations	2,115	1,610
	9,238	14,824
Investment revenues	32	136
	9,270	14,960

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

5. SEGMENT INFORMATION

The group's revenue and profits arose wholly from the property investment, development, management and hotel operations within the United Kingdom.

	Property investment & development		Management fees		Hotel operations		Total	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Revenue	6,615	12,531	508	683	2,115	1,610	9,238	14,824
Cost of sales	(3,811))	(7,262)	(5)	(6)	(1,864)	(1,793)	(5,680)	(9,061)
Gross profit/(loss)	2,804	5,269	503	677	251	(183)	3,558	5,763
Administrative expenses	(1,496)	(1,602)	(400)	(463)	(358)	(310)	(2,254)	(2,375)
Other operating income	750	-	-	-	-	-	750	-
Share of operating profit in joint ventures	14	67	-	-	-	-	14	67
Gain/(loss) on disposal of investment properties	1,145	(57)	-	-	-	-	1,145	(57)
Loss on revaluation of property, plant and equipment	-	-	-	-	-	(1,873)	-	(1,873)
Loss on revaluation of investment properties	(4,269)	(5,358)	-	-	-	-	(4,269)	(5,358)
Exceptional items	(3,387)	-	-	-	-	-	(3,387)	-
Operating (loss)/profit	(4,439)	(1,681)	103	214	(107)	(2,366)	(4,443)	(3,833)
Finance costs (net)	(7,688)	(8,098)	(1)	4	(582)	(490)	(8,271)	(8,584)
(Loss)/profit before taxation	(12,127)	(9,779)	102	218	(689)	(2,856)	(12,714)	(12,417)
Analysis of total equity								
Total equity	17,987	28,960	875	718	(3,004)	(2,315)	15,858	27,363

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

5. SEGMENT INFORMATION (CONTINUED)

Segment assets	2010 £'000	2009 £'000
Property investment & development	74,444	96,901
Hotel operations	12,380	12,718
Total segment assets	86,824	109,619
Unallocated assets	70,507	71,987
Consolidated total assets	157,331	181,606

For the purposes of monitoring segment performance and allocating resources between segments the directors monitor property, plant and equipment, investment properties and inventories attributable to each segment. All other assets are unallocated.

	Depreciation	
Other segment information	2010 £'000	2009 £'000
Property investment & development	74	94
Hotel operations	472	475
	546	569

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

6. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

	Continuing Operations 2010 £'000	2009 £'000
Cost of inventories recognised as expense	1,739	4,966
Depreciation of property, plant and equipment	546	569
Goodwill written off	233	-
Other operating income	750	-
(Profit)/loss on disposal of investment properties	(1,145)	57
Loss on revaluation of property, plant and equipment	-	1,873
Loss on revaluation of investment properties	4,269	5,358
Staff costs (note 7)	1,542	1,722

Other operating income relates to amounts received in respect of a legal settlement.

The analysis of auditors' remuneration is as follows:

	2010 £'000	2009 £'000
Fees payable to the company's auditors for the audit of the company's annual accounts	15	15
- Audit of the company's subsidiaries pursuant to legislation	40	45
Total audit fees	55	60
Other services pursuant to legislation		
- Tax services	20	60
Total non-audit fees	20	60

Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2010 £'000	2009 £'000
Directors' remuneration		
Emoluments	188	343

Highest paid director
The above amounts for remuneration include the following in respect of the highest paid director:

	2010 £'000	2009 £'000
Emoluments	119	155

Mr R Gilliland is a director in Gilliland Management Services Limited to which the group paid £60,950 (2009 - £64,011) for financial and administrative services in the year, and £5,000 (2009 - £5,000) during the year for Mr Gilliland's services as a director of the company. These payments are included within directors' emoluments above.

Mrs E Goodman, a director of Union Estates Limited, the ultimate parent company of City Site Estates plc, received a pension from the company of £36,000 (2009 - £36,000).

The highest paid director was the beneficiary of £6,120 contributions to a pension scheme in the current year (2009 - £nil).

All of the directors' remuneration was borne by the parent company in both the current and prior year.

The average monthly number of employees (including executive directors) was:

	2010 Number	2009 Number
Head office	22	23
Property services	16	15
Hotel operations	45	44
	83	82

	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	1,393	1,551
Social security costs	129	153
Other pension costs (note 30)	20	18
	1,542	1,722

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

8. INVESTMENT REVENUES

	2010 £'000	2009 £'000
Interest on bank deposits	17	59
Interest on intercompany loans	15	77
	32	136

9. FINANCE COSTS

	2010 £'000	2009 £'000
Interest on bank overdrafts and loans	4,099	3,854
Interest on other loans	1,946	1,854
Preference share dividend	754	754
Debt issue costs	35	26
Interest on obligations under finance leases	137	137
Fair value loss on derivative financial instruments (note 24)	1,673	2,675
Total finance costs	8,644	9,300
Less capitalised interest (note 14, 17)	(341)	(580)
	8,303	8,720

10. NON-RECURRING ITEMS

	2010 £'000	2009 £'000
Write off of amounts due from fellow group undertakings	3,387	-
	3,387	-

11. TAXATION

	2010 £'000	2009 £'000
Current tax		
UK Corporation tax	-	-
Adjustment in respect of the prior year	(174)	(95)
Total current tax	(174)	(95)
Deferred tax (note 22)		
Origination and reversal of temporary differences	(22)	(119)
Changes in tax rate	(105)	-
Adjustment in respect of the prior year	(908)	509
Total deferred tax	(1,035)	390
Total tax	(1,209)	295

Corporation tax is calculated at 28% (2009: 28%) of the estimated assessable loss for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

11. TAXATION (CONTINUED)

The (credit)/charge for the year can be reconciled to the loss before taxation per the income statement as follows:

	2010 £'000	2009 £'000
Loss before tax:		
Continuing operations	(12,714)	(12,417)

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK of 28% (2009- 28%).

	2010 £'000	2010 %	2009 £'000	2009 %
Tax at the UK corporation tax rate of 28% (2009: 28%)	(3,560)	28%	(3,477)	28%
Effects of:				
Tax effect of share of results of joint venture	(4)	-	(19)	-
Capital allowances in excess of depreciation	(297)	2%	-	-
Non-deductible expenses	2,911	(23%)	2,888	(23%)
Generation/(utilisation) of tax losses	699	(5%)	(167)	1%
Income not taxable	(137)	1%	(47)	-
Tax effect of gains on disposal	186	(1%)	-	-
Group relief surrendered for nil consideration	202	(2%)	657	(5%)
Deferred tax on temporary differences	(49)	-	(133)	1%
Deferred tax on industrial buildings	(78)	1%	179	(1%)
Adjustments in respect of prior years	(1,082)	9%	414	(3%)
Tax (credit)/charge	(1,209)	10%	295	(2%)

The Finance Bill 2010 was published on 1 July 2010 and included a reduction in the main rate of corporation tax for the financial year beginning 1 April 2011 from 28% to 27%. This tax law change has been substantively enacted. The impact of this change has been to reduce our deferred tax liability provided at 30 September 2010 by £105,000 with a corresponding decrease in the income tax expense.

The Government has also indicated that it intends to enact future reductions in the main tax rate of 1% each year down to 24% by 1 April 2014.The future 1% main tax rate reductions are expected to have a similar impact on our financial statements as outlined above, however the actual impact will be dependent on our deferred tax position at that time and will be recognised when the relevant legislation is substantively enacted.

12. GOODWILL

	£'000
Cost and carrying amount	
As at 1 October 2008 and 30 September 2009	233
Written off in the year	(233)
As at 30 September 2010	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

13. PROPERTY, PLANT & EQUIPMENT

	Land & Buildings £'000	Properties under construction £'000	Other fixed assets £'000	Total £'000
Cost or valuation				
At 1 October 2008	6,393	8,209	1,610	16,212
Additions	-	593	48	641
Reallocation from properties under construction to land & buildings	8,802	(8,802)	-	-
Revaluations	(2,477)	-	-	(2,477)
At 30 September 2009	12,718	-	1,658	14,376
Additions	134	-	3	137
Disposals	-	-	(4)	(4)
At 30 September 2010	12,852	-	1,657	14,509
Accumulated depreciation				
At 1 October 2008	129	-	1,103	1,232
Charge for the year	475	-	94	569
Revaluations	(604)	-	-	(604)
At 30 September 2009	-	-	1,197	1,197
Charge for the year	472	-	74	546
At 30 September 2010	472	-	1,271	1,743
Carrying amount				
At 30 September 2010	12,380	-	386	12,766
At 30 September 2009	12,718	-	461	13,179

The fair value of the Group's land and buildings at 30 September 2010 has been arrived at on the basis of a directors' valuation carried out at that date. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of prices for similar properties in similar locations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

14. INVESTMENT PROPERTY

	Heritable and freehold £'000	Long leasehold £'000	Total £'000
Fair value			
At 1 October 2008	78,245	4,457	82,702
Additions	14,179	3	14,182
Disposals	(2,000)	-	(2,000)
Revaluation deficit	(4,755)	(603)	(5,358)
At 30 September 2009	85,669	3,857	89,526
Additions	1,799	11	1,810
Disposals	(18,300)	-	(18,300)
Revaluation deficit	(4,258)	(11)	(4,269)
At 30 September 2010	64,910	3,857	68,767

At 30 September 2010 the historical cost of investment property was £72.717 million (2009 - £90.924 million).

Included within the additions in the year is £341,000 (2009 - £505,000) of capitalised interest on the redevelopment of an existing investment property.

Basis of Valuation

The investment properties were valued at 30 September by the following:

	2010 £'000	2009 £'000
Directors	68,767	89,526

The fair value of the Group's investment properties at 30 September 2010 has been arrived at on the basis of directors' valuations carried out at that date. The directors have valued the properties at market value in accordance with the RICS Appraisal and Valuation Standards, which conform to International Valuation Standards. Market value is defined as 'the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion.'

The Group has pledged relevant investment properties to secure banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

15. INVESTMENTS HELD AS FIXED ASSETS

All Group subsidiary undertakings have an accounting reference date coterminous with the ultimate parent company and have been consolidated under the acquisition method of accounting. Details of the principal subsidiaries are given in note 3 to the parent company financial statements.

The company listed under joint ventures, Cala City Limited (50% owned), also has an accounting reference date of 30 September.

The following are included in the value of fixed asset investments:

	2010 £'000	2009 £'000
Joint ventures	-	126

	2010 £'000	2009 £'000
At 1 October	126	59
Share of profit	14	67
Amounts written off investments	(140)	-
At 30 September	-	126

16. OTHER NON-CURRENT ASSETS

Other non-current assets includes amounts due from fellow group undertakings of £nil (2009 - £1.700 million). The loan in the prior year was repaid in the current year following a sale of property by the fellow group undertaking.

17. INVENTORIES

Inventories consist only of development property.

	2010 £'000	2009 £'000
Development property		
At 1 October	6,914	11,218
Additions in year	116	662
Disposals in year	(1,739)	(4,966)
At 30 September	5,291	6,914

The net realisable value of the Group's development properties at 30 September 2010 has been arrived at on the basis of directors' valuations carried out at that date.

Development properties with a carrying amount of £5.291 million (2009: £6.914 million) have been pledged as security for certain of the group's bank overdrafts and loans.

Included within the additions in the year is £nil (2009 - £75,000) of capitalised interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

18. OTHER FINANCIAL ASSETS

	2010 £'000	2009 £'000
Amount due from fellow group undertakings	59,417	66,256
Trade receivables	450	823
Prepayments and accrued income	1,115	458
Other debtors	8,646	780
Corporation tax	-	96
Total trade and other receivables	69,628	68,413
Cash and cash equivalents	879	1,515
Total financial assets	70,507	69,928

Other debtors include the proceeds of sale due from a property disposal which was unconditional at the year end but completed post year end.

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

At 30 September 2010 £0.455m (2009 - £0.455m) of the cash was restricted. These amounts are held as pledged deposits for loan facilities with one of the group's lenders. No withdrawals from the deposits are permitted without the lender's authorisation.

All trade receivables were within credit terms as at 30 September 2010. The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

19. TRADE AND OTHER PAYABLES

	2010 £'000	2009 £'000
Trade creditors	816	677
Amounts due to fellow group undertakings	19,710	17,468
Amounts due to related parties	174	1
Other creditors	1,208	2,086
Loan due to director	530	-
Accruals and deferred income	972	2,101
	23,410	22,333

Amounts due to fellow group undertakings are payable on demand and bear no interest.

The directors consider that the carrying amount of trade and other payables is approximately equal to their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

20. LOANS AND BORROWINGS

	2010 £'000	2009 £'000
Bank overdrafts	1,913	14,435
Bank loans	67,108	69,831
Debenture loan stock	17,268	17,268
Other loans	410	410
	86,699	101,944
The borrowings are repayable as follows:		
On demand or within one year	39,519	26,374
In the second year	10,022	26,809
In the third to fifth years inclusive	20,109	31,155
After five years	17,049	17,606
	86,699	101,944
Less: Amount due for settlement within 12 months (shown under current liabilities)	(39,519)	(26,374)
Amount due for settlement after 12 months	47,180	75,570
Less: Deferred issue costs	(212)	(219)
	46,968	75,351

	2010 %	2009 %
The weighted average interest rates paid were as follows:		
Bank overdrafts	4.75	4.68
Bank loans	5.20	3.48

Bank loans of £25.770m (2009: £17.998m) were arranged at floating rates, thus exposing the group to cash flow interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

20. LOANS AND BORROWINGS (CONTINUED)

The directors estimate the fair value of the group's borrowings as follows:

	2010 £'000	2009 £'000
Debenture stock	20,341	20,704
Bank loans and overdrafts	69,021	84,676

There is no material difference between book values and market values of bank loans and overdrafts.

The other principal features of the Group's borrowings are as follows:

The group has two principal borrowings:

(a) First mortgage debenture stock 2017 - £17.268m (2009: £17.268m)

The debenture was taken out in April 1987 and is secured by a charge over certain of the group's properties. The debenture carries interest at 10.5%.

(b) Other bank loans of £67.108m (2009: £69.831m)

These loans are secured by a charge over certain of the group's properties and bear interest at variable rates ranging from LIBOR + 1.125% to LIBOR + 3.125%.

At 30 September 2010, the group had available £ 1.123m (2009: £1.675m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Breach of loan agreements

During the current year, the group breached the loan to value and interest cover covenant on loans with a carrying amount of £9.95m. As a result the liability has been classified as due within one year because, at the balance sheet date, the company did not have an unconditional right to defer its settlement for at least twelve months after that date. The directors are in continued discussions with the lenders on a positive and pro-active basis and believe that these discussions will result in facilities continuing to be made available to the group.

Total borrowings, including redeemable preference shares and obligations under finance leases, are repayable as follows:	2010 £'000	2009 £'000
On demand or within one year	39,519	26,374
In the second year	10,022	26,809
In the third to fifth years inclusive	20,109	31,155
After five years	40,761	40,346
	110,411	124,684

21. REDEEMABLE PREFERENCE SHARES

At 30 September 2010, there were 14.335m, 5.25% cumulative redeemable preference shares in issue (2009: 14.355m). A total of 27.000m, 5.25% cumulative preference shares of £1 were originally authorised.

In the year to 30 September 2008 the Company redeemed all the preference shares, and paid all the arrears of preference dividends, held by third parties. The immediate holding company, Woodvale Estates Ltd, and other related parties who own the outstanding preference shares agreed to waive their right to redemption and payment of arrears of dividend for 5 years. As such the preference share liability of £14.355m (2009 - £14.355m) and the accrued preference share dividends of £7.400m (2009 - £6.647m) have been disclosed as due after more than one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

22. DEFERRED TAX

The following are the major deferred tax liabilities recognised by the Group and movements thereon during the current reporting period.

	Industrial buildings £'000	Revaluation of property £'000	Accelerated tax depreciation £'000	Total £'000
At 1 October 2008	2,240	165	1,083	3,488
Charge/(credit) to income	179	(165)	(133)	(119)
Adjustment in respect of prior years	502	-	7	509
At 30 September 2009	2,921	-	957	3,878
Credit to income	(49)	-	(78)	(127)
Adjustment in respect of prior years	(286)	-	(622)	(908)
At 30 September 2010	2,586	-	257	2,843

Temporary differences arising in connection with interests in joint ventures are insignificant.

23. LEASING

Operating leases with tenants

The Group leases out all of its investment property under operating leases for average lease terms of 10 years. The future aggregate minimum rentals receivable under operating leases are as follows:

	2010 £'000	2009 £'000
Less than one year	2,666	4,041
Between two and five years	7,807	11,087
After 5 years	8,953	15,943
	19,426	31,071

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

23. LEASING (CONTINUED)

Obligations under finance leases

Finance lease obligations in respect of the group's leasehold property are payable as follows:

	2010			2009		
	Minimum lease payments £'000	Interest £'000	Principal £'000	Minimum lease payments £'000	Interest £'000	Principal £'000
Less than one year	137	137	-	137	137	-
Between one and five years	548	548	-	548	548	-
More than five years	16,577	14,620	1,957	16,714	14,757	1,957
	17,262	15,305	1,957	17,399	15,442	1,957

The fair value of the group's lease obligations is approximately equal to their carrying amount.

The group's obligations under finance leases are secured by the lessors' title to the leased assets.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2010 £'000	2009 £'000
Financial liabilities at 1 October	3,348	673
Financial liabilities carried at fair value through profit & loss (note 9)	1,673	2,675
Financial liabilities at 30 September	5,021	3,348

Further details of derivative financial instruments are provided in the note 25.

25. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 20, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 26 and 27.

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

Accounting policies

Details of the accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

25. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives

The Group's directors monitor and manage the financial risks relating to the operations of the Group. These risks include market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide principles on interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps, caps and swaptions to mitigate the risk of rising interest rates.

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. The risk is managed by the Group by the use of interest rate swap, cap and swaption contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 0.5 per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5 per cent higher/lower and all other variables were held constant, the Group's loss for the year ended 30 September 2010 would decrease/increase by £0.29m (2009: decrease/increase by £0.35m). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has decreased during the current period mainly due to the reduction in variable rate debt instruments and the increase in interest rate swaps.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

25. FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges

Outstanding receive floating pay fixed contracts	Average contract fixed interest rate		Notional principal amount		Fair value	
	2010	2009	2010	2009	2010	2009
	%	%	£'000	£'000	£'000	£'000
1 year	4.15	-	13,880	-	(296)	-
2 to 5 years	4.78	4.31	5,000	18,880	(572)	(942)
5 years +	4.32	4.32	23,500	23,500	(4,153)	(2,406)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is 3 months LIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are intended to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into 3 levels based on the extent to which the fair value is observable.

The levels are classified as follows:

Level 1: fair value is based on quoted prices in active markets for identified financial assets or liabilities.

Level 2: fair value is determined using directly observable inputs other than level 1 inputs

Level 3: fair value is determined on inputs not based on observable market dat.

In the current year, the interest rate swaps are classed as level 2 financial instruments. There have been no transfers between the various levels of the fair value hierarchy during the year.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are regularly reviewed and approved by the board of directors.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Group defines counterparties as having similar characteristics if they are connected entities. Concentration of credit did not exceed 5 per cent of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 20 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

26. CALLED UP SHARE CAPITAL

	2010 £'000	2009 £'000
Called up, allotted and fully paid		
17,061,463 ordinary shares of 25p each	4,265	4,265
37,000,000 'A' ordinary shares of 0.01p each	4	4
	4,269	4,269

The ordinary and 'A' ordinary share capital rank pari passu.

Additionally the company has authorised, issued and fully paid 14.355m cumulative redeemable preference shares of £1 each classified as liabilities. These shares do not carry voting rights. Further details are provided in note 21.

27. RESERVES

	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2008	6,192	29,570	35,762
Loss for the year	-	(12,679)	(12,679)
At 30 September 2009	6,192	16,891	23,083
Loss for the year	-	(11,387)	(11,387)
At 30 September 2010	6,192	5,504	11,696

28. MINORITY INTEREST

The movement in the year can be analysed as follows:

	2010 £'000	2009 £'000
At start of year	11	44
Share of loss for the year	(118)	(33)
At end of year	(107)	11

29. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	2010 £'000	2009 £'000
At start of year	27,363	40,075
Loss for the year	(11,505)	(12,712)
At end of year	15,858	27,363

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

30. NOTES TO THE CASH FLOW STATEMENT

	2010 £'000	2009 £'000
Loss for the year	(11,505)	(12,712)
Adjustments for:		
Share of results of joint ventures	(14)	(67)
Investment income	(32)	(136)
Finance costs	8,303	8,720
Tax (credit)/charge	(1,209)	295
Depreciation of property, plant and equipment	546	569
Goodwill written off in year	233	-
Loss on revaluation of investment properties	4,269	5,358
Loss on revaluation of property, plant and equipment	-	1,873
(Gain)/loss on disposal of investment properties	(1,145)	57
Operating cash flows before movements in working capital	(554)	3,957
Decrease in inventories	1,548	4,379
Decrease in receivables	8,408	7,588
Increase/(decrease) in payables	1,299	(370)
Cash generated by operations	10,701	15,554
Taxes recovered	265	130
Interest paid	(6,291)	(5,896)
Net cash from operating activities	4,675	9,788

31. RETIREMENT BENEFIT SCHEMES

Defined contribution scheme

A defined contribution scheme is a pension plan under which the Group pays fixed contributions into a separate entity. The assets of the scheme are held separately from those of the Group in funds under the control of the trustees.

Payments to the defined contribution scheme are charged as an expense as they fall due. Any contributions unpaid at the balance sheet date are included as an accrual at that date.

The Group has no further payment obligation once the contributions have been paid.

The total amount recognised as an expense in the year was £20,000 (2009: £18,000) and £nil amounts were unpaid at the balance sheet date (2009: £nil).

32. GUARANTEES

The company has guaranteed by letter of offset and loan guarantees the overdrafts of certain fellow subsidiaries and the ultimate holding company. These guarantees total £126.45m (2009 - £99.55m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 30 September 2010

33. RELATED PARTY TRANSACTIONS

R Gilliland and L M Goodman are also directors of Cala City Limited in which the company has a 50% interest. There were no transactions and therefore no balances outstanding with Cala City Limited at the current or prior year end.

During the course of the year, group subsidiaries entered into the following transactions with related parties who are not members of the group:

	2010 £'000	2009 £'000
One Architecture Limited		
Purchase of services	277	111
Amounts owed to related parties	174	1
Amounts owed by related parties	-	21

One Architecture Limited is a related party of City Site Estates plc because the company is 65% owned by L M Goodman. There were no sales transactions to related parties during the year. All purchases of services from related parties were made on an arm's length basis.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

At 30 September 2010 amounts owed to L M Goodman was £520,318 (2009: £nil).

34. PARENT COMPANY

The immediate parent company of City Site Estates plc is Woodvale Estates Limited, a company registered in Scotland. The ultimate parent company of City Site Estates plc is Union Estates Limited, a company registered in Scotland. The smallest and largest group in which the results of City Site Estates plc are consolidated is that headed by Union Estates Limited.

The consolidated financial statements of Union Estates Ltd may be obtained from Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

PARENT COMPANY BALANCE SHEET
30 September 2010

	Note	2010 £000	2009 £000
FIXED ASSETS			
Tangible fixed assets	2	18,298	19,397
Investments	3	62,536	62,676
		80,834	82,073
CURRENT ASSETS			
Stocks	4	4,162	4,050
Debtors: amounts falling due within one year	5	87,184	96,439
Debtors: amounts fallings due after more than one year	5	14,122	14,000
Cash at bank and in hand	6	456	456
		105,924	114,945
CREDITORS: amounts falling due within one year	7	(89,961)	(107,480)
NET CURRENT ASSETS		15,963	7,465
TOTAL ASSETS LESS CURRENT LIABILITIES		96,797	89,538
CREDITORS: amounts falling due after more than one year	8	(86,973)	(77,280)
Provision for liabilities	10	-	(658)
NET ASSETS		9,824	11,600
CAPITAL AND RESERVES			
Called up share capital	12	4,269	4,269
Profit and loss account	13	6,350	6,687
Other reserves	13	(795)	644
SHAREHOLDERS' FUNDS	14	9,824	11,600

The accompanying notes are an integral part of this balance sheet.

The financial statements of City Site Estates plc, registered number SC53092, were approved by the board of directors and authorised for issue on 28 February 2011.

Signed on behalf of the Board of Directors

Louis M Goodman
Managing Director

NOTES TO THE PARENT COMPANY BALANCE SHEET
Year ended 30 September 2010

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The principal accounting policies adopted are summarised below and have been applied consistently in the current and prior years.

Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of investment property.

No profit and loss account is presented for City Site Estates plc as permitted by s408 of the Companies Act 2006. The company's loss for the year, determined in accordance with the Act was £337,000 (2009 – profit of £2,036,000). See note 13.

Going concern

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the reasons set out in the going concern section of the directors' report on page 3.

The conditions described in the directors' report indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

Taxation

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

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on the current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided in respect of differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

Tangible fixed assets

Tangible fixed assets consist of:

Investment properties

Investment properties are revalued annually. Surpluses or deficits on individual properties are transferred to the revaluation reserve, unless a deficit (or its reversal) is expected to be permanent, in which case it is charged (or credited) to the profit and loss account. Depreciation is not provided in respect of freehold investment properties or of leasehold investment properties where the unexpired term of the lease is more than 20 years. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under SSAP 19 'Accounting for investment properties' (as amended). The financial effect of the departure from the statutory accounting rules cannot reasonably be quantified because depreciation is only one of many factors affecting annual valuation.

NOTES TO THE PARENT COMPANY BALANCE SHEET (CONTINUED)
Year ended 30 September 2010

1. ACCOUNTING POLICIES (CONTINUED)

Tangible fixed assets (continued)

Other tangible fixed assets

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows;

Motor vehicles, plant & equipment	20 - 33% straight line
Fixtures & fittings	10% reducing balance
Computer equipment	25% straight line

Stocks

Development properties are valued at the lower of cost and net realisable value. Cost includes capitalised interest where relevant. Net realisable value represents the estimated sales price less costs estimated to be incurred up to the date of disposal.

Revaluation reserve

As required by SSAP 19 (as amended), aggregate surpluses and temporary deficits arising on investment properties are transferred (credited or debited) to a non-distributable reserve known as the revaluation reserve. If the total of that reserve is insufficient to cover a deficit, the amount by which any temporary deficit exceeds the amount in that reserve is carried as a deficit on that reserve. Permanent diminutions in value of investment properties are charged to the profit and loss account. On the disposal of a revalued tangible fixed asset any surplus or deficit is transferred to the profit and loss account.

Investments

Investments held as fixed assets are stated at cost less provision for any diminution in value.

Debt

Debt is initially stated at the amount of the net proceeds after the deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting year and reduced by payments made in the year.

Finance costs

Finance costs of debt and non-equity shares are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount. Where the finance costs for non-equity shares are not equal to the dividends on these instruments, the difference is also accounted for in the profit and loss account as an appropriation of profits.

Finance costs which are directly attributable to the construction of tangible fixed assets or development properties are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

NOTES TO THE PARENT COMPANY BALANCE SHEET (CONTINUED)
Year ended 30 September 2010

2. TANGIBLE FIXED ASSETS

	Freehold investment property £'000	Other fixed assets £'000	Total £'000
Cost or valuation			
At 1 October 2009	19,000	972	19,972
Additions	389	-	389
Revaluation deficit	(1,439)	-	(1,439)
At 30 September 2010	17,950	972	18,922
Accumulated depreciation			
At 1 October 2009	-	575	575
Charge for the year	-	49	49
At 30 September 2010	-	624	624
Net book value			
At 30 September 2010	17,950	348	18,298
At 30 September 2009	19,000	397	19,397

At 30 September 2010 the historical cost of investment property was £25.097m (2009 - £24.708m).

Basis of Valuation

The investment properties were valued, on an open-market basis, at 30 September by the following:

	2010 £'000	2009 £'000
Directors	17,950	19,000

In accordance with SSAP 19 (as amended), investment properties are revalued annually on this basis, any surplus or deficit being credited to the revaluation reserve. Accordingly, these assets are not depreciated as this would conflict, in the directors' opinion, with the requirement to give a true and fair view. The financial effect of this departure cannot reasonably be quantified because depreciation is only one of the many factors affecting annual valuation.

NOTES TO THE PARENT COMPANY BALANCE SHEET (CONTINUED)
Year ended 30 September 2010

3. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiary undertakings £'000
Cost and net book value	
At 1 October 2009	62,676
Amounts written off investments	(140)
At 30 September 2010	62,536

Principal investments

The company has investments in the following principal group undertakings.

	Principal Activity	Class of Shares	Shareholding (note below)
Directly held by City Site Estates plc:			
City Site Properties Limited	Property investment	Ordinary	100%
CSE (Mercantile Chambers) Limited	Property investment	Ordinary	100%
145 Leadenhall Street Limited *	Property investment	Ordinary	100%
147 Leadenhall Street Limited	Property investment	Ordinary	100%
Orbital Property Services Limited	Property services	Ordinary	100%
City Site Investments Limited	Property investment	Ordinary	100%
Farringdon Point Limited	Property investment	Ordinary	100%
Queensbridge Management Limited	Property management	Ordinary	100%
Scotia Transport Limited	Travel agency	Ordinary	82%
Saltire Leisure (Ayr) Limited	Hotel operations	Ordinary	88%
Saltire Leisure Limited	Hotel operations	Ordinary	94%
SJJ Properties Limited	Property investment	Ordinary	100%
Cafewater Limited **	Property investment	Ordinary	100%
CSE (West Regent Street) Limited	Property investment	Ordinary	100%
Joint Ventures:			
Cala City Limited	Property investment	Ordinary	50%

* This company is held directly by CSE (Mercantile Chambers) Limited.

** This company is held directly by SJJ Properties Limited.

NOTES TO THE PARENT COMPANY BALANCE SHEET (CONTINUED)
Year ended 30 September 2010

4. STOCKS

	2010 £'000	2009 £'000
Development property		
At start of year	4,050	3,931
Additions	112	119
At end of year	4,162	4,050

5. DEBTORS

Amounts falling due within one year:	2010 £'000	2009 £'000
Amount due from group undertakings	81,775	91,463
Rent debtors and recoverable property expenses	99	303
Prepayments and accrued income	128	101
Other debtors	5,182	4,572
	87,184	96,439

Amounts falling due after more than one year of £14.122m (2009 - £14m) of the Company are amounts due from group undertakings.

6. CASH AT BANK AND IN HAND

At 30 September 2010 £0.456m (2009 - £0.456m) was held as pledged deposits for loan facilities with one of the company's lenders. No withdrawals from the deposits are permitted without the lender's authorisation.

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Bank overdrafts	2,024	14,325
Trade creditors	507	212
Amounts due to group undertakings	86,450	92,061
Other creditors	97	465
Loan due to director	530	-
Accruals and deferred income	353	417
	89,961	107,480

The bank overdraft is secured by a charge over certain of the company's properties.

Amounts due to subsidiary undertakings are payable on demand and bear no interest.

NOTES TO THE PARENT COMPANY BALANCE SHEET (CONTINUED)
Year ended 30 September 2010

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

The following amounts are included in creditors falling due after more than one year:

	2010 £'000	2009 £'000
Loans (note 9)	46,717	36,801
Redeemable preference shares (note 11)	21,756	21,002
Amounts due to group undertakings	18,500	19,477
	86,973	77,280

Amounts due to group undertakings are payable after more than one year but have no specific repayment date and no interest is payable on the balance.

9. LOANS

	2010 £'000	2009 £'000
Due between one and two years		
Bank loans	10,000	-
Due between two and five years		
Bank loans	19,660	19,660
Due after more than five years		
10.5% first mortgage debenture stock 2017	17,268	17,268
Total loans	46,928	36,928
Deferred issue costs	(211)	(127)
Total loans due after more than one year (note 8)	46,717	36,801
Total loans due	46,717	36,801

All borrowings are secured on certain properties of the company and of its group undertakings and on cash deposits.

Interest on the bank loan repayable within one and two years is charged at LIBOR + 3.5%. Interest on the bank loan repayable within two to five years is charged at LIBOR + 2.5%.

The debenture was taken out in April 1987 and is secured by a charge over certain of the group's properties. The debenture carries interest at 10.5%.

NOTES TO THE PARENT COMPANY BALANCE SHEET (CONTINUED)
Year ended 30 September 2010

10. PROVISION FOR LIABILITIES

	2010 £'000	2009 £'000
Deferred taxation		
At 1 October	658	658
Credit to profit & loss account	(658)	-
At 30 September	-	658

Deferred tax is provided as follows:	2010 £000	2009 £000
Accelerated capital allowances	-	658

A deferred tax asset amounting to £25,000 has not been recognised because in the opinion of the directors there will be no suitable taxable gains available in the foreseeable future.

11. REDEEMABLE PREFERENCE SHARES

At 30 September 2010, there were 14.355m, 5.25% cumulative redeemable preference shares in issue (2009: 14.355m). A total of 27.000m, 5.25% cumulative preference shares of £1 were originally authorised.

The redemption date for the preference shares was originally 30 September 2003.

In the year to 30 September 2008 the Company redeemed all the preference shares and paid all the arrears of preference dividends held by third parties. The immediate holding company, Woodvale Estates Ltd, and other related parties who own the outstanding preference shares agreed to waive their right to redemption and payment of arrears of dividend for 5 years.

The remaining £7.400m (2009 - £6.647m) redeemable preference shares, together with cumulative accrued preference dividends, have been disclosed as due after more than one year.

12. CALLED-UP SHARE CAPITAL

	2010 £'000	2009 £'000
Called-up, allotted and fully paid		
17,061,463 ordinary shares of 25p each	4,265	4,265
37,000,000 'A' ordinary shares of 0.01p each	4	4
	4,269	4,269

The ordinary and 'A' ordinary share capital rank pari passu.

NOTES TO THE PARENT COMPANY BALANCE SHEET (CONTINUED)
Year ended 30 September 2010

13. RESERVES

	2010 £'000	2009 £'000
Distributable		
Profit and loss account	6,350	6,687

	2010 £'000	2009 £'000
Non-distributable		
Revaluation reserve	(7,147)	(5,708)
Other reserves	6,352	6,352
Total reserves	(795)	644

The movement in the profit and loss account was as follows:

	£'000
At 1 October 2009	6,687
Loss for the financial year	(337)
At 30 September 2010	6,350

The movement in the other equity reserves of the company was as follows:

	Capital redemption reserve £'000	Capital reserve £'000	Other reserves £'000
Balance at beginning and end of year	6,192	160	6,352

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 £'000	2009 £'000
(Loss)/profit for the financial year	(337)	2,036
Unrealised deficit on revaluation of investment properties (note 2)	(1,439)	(862)
Net (decrease)/increase in shareholders' funds	(1,776)	1,174
Opening shareholders' funds	11,600	10,426
Closing shareholders' funds	9,824	11,600

NOTES TO THE PARENT COMPANY BALANCE SHEET (CONTINUED)
Year ended 30 September 2010

15. GUARANTEES

The company has guaranteed by letter of offset and loan guarantees the overdrafts of certain fellow subsidiaries and the ultimate holding company. These guarantees total £126.449m (2009 - £99.738m).

16. RELATED PARTY TRANSACTIONS

During the year, City Site Estates plc purchased services from One Architecture Limited, a company 65% owned by Louis M Goodman. The total purchases during the year totalled £238k (2009 - £94k). The amount owed to One Architecture Limited at 30 September 2010 was £146k (2009 - £ nil). There were also outstanding credits from One Architecture as at 30 September 2010 of £nil (2009 - £8k).

There were no sales transactions to related parties during the year. All purchases of services from related parties were made on an arm's length basis.

At 30 September 2010 amounts owed to L M Goodman was £520,318 (2009: £nil).

17. ULTIMATE CONTROLLING PARTY

The immediate parent company of City Site Estates plc is Woodvale Estates Limited, a company registered in Scotland. The ultimate parent company of City Site Estates plc is Union Estates Limited, a company registered in Scotland. The ultimate controlling party is L M Goodman and a related family trust.

The consolidated financial statements of Union Estates Limited are available to the public and may be obtained from Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.