The Premier Property Group Limited and Subsidiaries

Financial Statements for the year ended 30 June 2012
together with Directors' and Independent Auditor's Reports

Registered Number: SC139902

Company information

Directors
Sir D E Murray
L Higgins
M S McGill
C J Mitchell
D W Muir

Secretary
D W M Horne

Registered Office
10 Charlotte Square
Edinburgh
EH2 4DR

Bankers
Lloyds Banking Group
300 Lawnmarket
Edinburgh
EH1 2PH

Solicitors
Gateley (Scotland) LLP
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Independent Auditor
Grant Thornton UK LLP
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Report of the Directors

The directors present their report and the financial statements of The Premier Property Group Limited and Subsidiaries (the "Group") for the year ended 30 June 2012.

Principal activity and business review

The principal activity of the Group during the year was the development and management of commercial property within the UK.

As reported in last year's business review, the property market remains challenging. Although the central London market remained strong for prime property this sentiment failed to spread beyond the South East and other regional markets remained subdued. The retail sector continued to present many more challenges than opportunities with weak tenant demand and downward pressure on rental values. In addition, the lack of growth and investment appetite and restricted availability of funding for the development market show no real signs of improvement and continue to impact on the value of undeveloped land.

Despite these challenges, the Group has taken advantage of opportunities in the market to dispose of properties and achieved a total of 17 property sales in the year to 30 June 2012. Total proceeds generated from property sales amounted to £164 million with two significant London property sales, at Plumtree Court and Lime Street, contributing close to £140 million of the total. Plumtree Court was contracted for sale in early 2011 but completed in January 2012 for a total consideration of £92.5 million. The Group's office development at Lime Street was sold for £45.7m by way of a corporate disposal and is accounted for as an exceptional gain of £2.7 million on the sale of a subsidiary. The remaining property sales covered a range of assets across Scotland and England.

Asset management remained a prime focus of the Group with on-going monitoring of occupancy and rental levels across the portfolio. Total rental income in the year amounted to £20.4 million which was a marginal decrease on the prior year, taking property disposals into account. This income is primarily attributable to the Group's retail assets which continued to experience downward pressure on rental levels, increasing demand for tenant incentives and further retail business stresses and failures. Despite these factors, there has been an improvement in letting activity during 2012 which it is hoped will continue through the current financial year.

As all property assets are treated as stock they continue to be held at the lower of cost and net realisable value. In accordance with UK GAAP, a full review of property values was conducted at the financial year end against a background of declining market sentiment, limited transactional evidence and wider economic uncertainties. This has resulted in a reduction in property carrying values amounting to £37.1 million, predominantly relating to the retail properties. This adjustment has been treated as an exceptional charge in the year. In addition, the interest rate hedge instrument held by the Group was restructured in March 2012 to align more closely with the reduction in the bank debt profile. This resulted in a further exceptional charge of £7.3m although the Group will benefit from reduced interest costs in future financial periods.

In summary, the Group generated a loss before tax and exceptional items of £5.2 million for the year to 30 June 2012 (2011 – profit of £4.3 million). The inclusion of exceptional charges generated a loss before tax of £46.8 million (2011 – loss of £1.5 million). The balance sheet movements from the previous year reflected the impact of property disposals and year end property valuation adjustments. Total bank debt at 30 June 2012 reduced to £251.2 million from £403.4 million. Excluding parent company funding liabilities of £127.4 million, net liabilities at 30 June 2012 amounted to £16.6 million (2011 – net assets of £22.9 million).

The Group remains focussed on delivering the asset realisation and debt reduction strategy which was implemented in 2009. As such the Group will continue to concentrate on asset management across the portfolio and target property disposals as opportunities arise. This approach continues to benefit from the support of Lloyds Banking Group with the provision of long term banking facilities and parent company funding. The financial support also provides the directors with sufficient comfort that there are adequate resources in place to manage the business as a going concern. Based on current property market sentiment and wider UK economic forecasts, prospects for the next financial year are likely to remain in line with the current year's financial performance before exceptional items. Subsequent to the year end the Group completed and contracted property sales in excess of £20 million.

Report of the Directors (continued)

Results and dividends

Trading results for the year and the Group's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend (2011 - £Nil).

Directors of the Company

The directors who served The Premier Property Group Limited (the "Company") during the year were:

Sir D E Murray
A Glasgow (resigned 10 April 2012)
L Higgins
M S McGill
C J Mitchell
D W Muir

Directors' responsibilities

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 have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- ensure applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Directors (continued)

Directors' responsibilities (continued)

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Group's auditors are unaware; and

- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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.

Financial risk management objectives and policies

The Group's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group.

Credit risk

The Group has implemented a policy that requires credit checks on prospective purchasers and tenants and regular monitoring of existing tenancies.

Liquidity risk

Operations are financed by a mixture of shareholders' funds, bank borrowings and parent company funding. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the Group.

Interest rate risk

The Group's policy is to arrange core debt, bank loans and overdrafts, with a floating rate of interest plus an agreed margin to manage its exposure to interest rate movements on its bank borrowings. The Group uses interest rate swaps together with non-speculative hedging instruments to manage its exposure to interest rate movements on its bank borrowings.

Report of the Directors (continued)

Key performance measures

The Group monitors a wide range of performance measures in its management of principal risks and uncertainties. Key financial performance measures include property sales, operating profit, profit before tax, assets under management and debt balances. Non-financial performance measures include the achievement of various milestones with regard to planning consent status, development activity status as well as occupancy levels and rental yields. The following key measures are highlighted for the year to 30 June 2012:

- Property sales of £117.8 million (2011 - £68.4 million);
- Loss before tax and exceptional items of £5.2 million (2011 – profit of £4.3 million);
- Property assets held at 30 June 2012 of £224.1 million (2011 - £418.1 million);
- Net debt at 30 June 2012 of £251.2 million (2011 - £403.4 million); and
- Continued focus on occupancy levels and rental yields across the property portfolio working closely with managing and letting agents to ensure the proactive management of existing tenancies and targeted marketing of current void space.

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 unless the Company receives notice under Section 488(1) of the Companies Act 2006.

BY ORDER OF THE BOARD

D W M Horne
Secretary
19 March 2013

Independent Auditor's Report to the member of The Premier Property Group Limited and Subsidiaries

We have audited the financial statements of The Premier Property Group and Subsidiaries for the year ended 30 June 2012 which comprise the consolidated profit and loss account, the consolidated and parent company balance sheets, the consolidated cash flow statement, the statement of accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's member, 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 member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 2 and 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with the 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

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Company's affairs as at 30 June 2012 and of its loss for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditor's Report to the member of The Premier Property Group Limited and Subsidiaries (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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 are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

Lorraine Macphail
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
20 March 2013

Consolidated Profit and Loss Account

	Notes	Normal	Exceptional	2012 Total	Normal	Exceptional	2011 Total
		£'000	£'000	£'000	£'000	£'000	£'000
Group turnover	1	139,284	-	139,284	98,116	-	98,116
Cost of sales		(127,262)	-	(127,262)	(76,840)	-	(76,840)
Impairment losses on development properties	2	-	(37,073)	(37,073)	-	(5,803)	(5,803)
Gross (loss)/profit		12,022	(37,073)	(25,051)	21,276	(5,803)	15,473
Other operating expenses	3	(6,814)	-	(6,814)	(5,611)	-	(5,611)
Operating (loss)/profit		5,208	(37,073)	(31,865)	15,665	(5,803)	9,862
Share of operating loss in joint ventures	4	-	-	-	(8)	-	(8)
Total operating (loss)/profit		5,208	(37,073)	(31,865)	15,657	(5,803)	9,854
Costs of fundamental restructuring	2	-	(7,336)	(7,336)	-	-	-
Gain on sale of subsidiary	2	-	2,732	2,732	-	-	-
Gain on sale of fixed assets		-	-	-	8	-	8
(Loss)/profit on ordinary activities before interest and taxation		5,208	(41,677)	(36,469)	15,665	(5,803)	9,862
Investment income							
- Group	5	39	-	39	21	-	21
- Joint ventures	5	-	-	-	1	-	1
Interest payable and similar charges	6	(10,409)	-	(10,409)	(11,431)	-	(11,431)
(Loss)/profit on ordinary activities before taxation	7	(5,162)	(41,677)	(46,839)	4,256	(5,803)	(1,547)
Tax on (loss)/profit on ordinary activities							
- Group	9	-	-	-	15	-	15
- Joint ventures	9	-	-	-	(17)	-	(17)
(Loss)/profit for the financial year	18	(5,162)	(41,677)	(46,839)	4,254	(5,803)	(1,549)

The current and prior year losses have been derived wholly from continuing operations.

The reported loss on ordinary activities before taxation equates to the historic cost loss on ordinary activities before tax.

There are no recognised gains or losses in either year other than the loss for that year. Accordingly, no separate statement of total recognised gains and losses is presented.

The accompanying notes and Statement of Accounting Policies form part of these financial statements.

Consolidated Balance Sheet

	Notes		2012		2011
		£'000	**£'000**	£'000	£'000
Fixed assets					
Intangible assets	10		-		116
Tangible assets	11		**25**		62
Investments in joint ventures					
-share of gross assets	12	**13**		134	
-share of gross liabilities		**(2)**		(10)	
			11		124
			36		302
Current assets					
Stocks	13		**224,162**		418,130
Debtors					
-due within one year	14		**21,514**		24,620
-due after more than one year	14		**1,858**		1,858
Cash at bank and in hand			**188**		93
			247,722		444,701
Creditors: amounts falling due within one year	15		**(22,110)**		(25,517)
Net current assets			**225,612**		419,184
Total assets less current liabilities			**225,648**		419,486
Creditors: amounts falling due after more than one year	16		**(369,678)**		(524,013)
Net liabilities			**(144,030)**		(104,527)
Capital and reserves					
Called-up share capital	17		**9,704**		2,368
Capital redemption reserve	18		**7,600**		7,600
Profit and loss account	18		**(161,334)**		(114,495)
Shareholders' deficit	19		**(144,030)**		(104,527)

These financial statements were approved by the Board of Directors on 19 March 2013 and are signed on their behalf by:

Sir D E Murray)
) Directors
C J Mitchell)

The Company's registration number is SC139902.

The accompanying notes and Statement of Accounting Policies form part of these financial statements.

Company Balance Sheet

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	11	**25**	58
Investments	12	**-**	2,261
		25	2,319
Current assets			
Debtors			
- due within one year	14	**231,184**	419,282
- due after more than one year	14	**1,858**	1,858
Cash at bank and in hand		**-**	2
		233,042	421,142
Creditors: amounts falling due within one year	15	**(19,817)**	(20,627)
Net current assets		**213,225**	400,515
Total assets less current liabilities		**213,250**	402,834
Creditors: amounts falling due after more than one year	16	**(369,678)**	(524,013)
Net liabilities		**(156,428)**	(121,179)
Capital and reserves			
Called-up share capital	17	**9,704**	2,368
Capital redemption reserve	18	**7,600**	7,600
Profit and loss account	18	**(173,732)**	(131,147)
Shareholders' deficit	19	**(156,428)**	(121,179)

These financial statements were approved by the Board of Directors on 19 March 2013 and are signed on their behalf by:

Sir D E Murray)
) Directors
C J Mitchell)

The Company's registration number is SC139902.

The accompanying notes and Statement of Accounting Policies form part of these financial statements.

Consolidated Cash Flow Statement

	Notes	2012 £'000	2011 £'000
Cash inflow from operating activities	20(a)	**116,834**	66,379
Returns on investments and servicing of finance	20(b)	**(18,122)**	(12,093)
Taxation	20(c)	-	15
Capital expenditure and financial investment	20(d)	**20**	17
Acquisitions and disposals	20 (e)	**46,181**	-
Cash inflow before financing		**144,913**	54,318
Financing	20(f)	**(144,818)**	(61,508)
Increase / (decrease) in cash in the year		**95**	(7,190)

		2012 £'000	2011 £'000
Reconciliation of net cash inflow/(outflow) to movements in net debt			
Increase /(decrease) in cash in the year		**95**	(7,190)
Cash inflow from movements in debt financing		**152,154**	61,508
Movement in net debt in the year		**152,249**	54,318
Net debt at the start of year		**(403,405)**	(457,723)
Net debt at the end of year	20(g)	**(251,156)**	(403,405)

The accompanying notes and Statement of Accounting Policies form part of these financial statements.

Statement of Accounting Policies

The principal accounting policies, which have been applied consistently throughout the current and prior year are:

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards, unless otherwise stated.

As provided by section 408 of the Companies Act 2006, no profit or loss account is presented for the Company. The Company's loss for the financial year, determined in accordance with the Act, was £42,585,000 (2011 – loss of £28,206,000).

The Group and Company balance sheets at 30 June 2012 are in a net liability position. The directors have reviewed the trading prospects and financial and cash flow projections of the business and have agreed a bank facility and parent company funding based on these projections. On that basis the directors have a reasonable expectation that there are adequate resources to allow the Group and the Company to continue to realise their assets and discharge their liabilities in the normal course of business for the foreseeable future. Accordingly, the directors have determined that it is appropriate to continue to adopt the going concern basis of accounting in the preparation of these financial statements.

(b) Basis of consolidation

The consolidated financial statements include the results of the Company and all of its subsidiary undertakings drawn up to 30 June 2012.

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account up to the date on which control passed.

(c) Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses (representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired) is capitalised and amortised on a straight line basis over an appropriate period depending upon the circumstances of the acquired company, but not greater than twenty years. Goodwill in respect of joint ventures is also amortised on a straight line basis over an appropriate period but not greater than twenty years.

Any excess of the aggregate of the fair value of the identifiable assets and liabilities acquired over the fair value of the consideration given (negative goodwill) is included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

Goodwill arising on acquisitions in the year ended 30 April 1998 and earlier periods was written off to reserves in accordance with accounting standards then in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal of a previously acquired property interest, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

(d) Investments

In the Company's financial statements, investments in subsidiary and joint venture undertakings are stated at cost less provision for impairment.

Statement of Accounting Policies (continued)

(e) Tangible fixed assets

Fixed assets are shown at cost net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Plant, equipment and vehicles - 3-5 years

Residual value is calculated on prices prevailing at the date of acquisition.

(f) Stocks and work in progress

Development properties and land held for development and/or resale are valued at the lower of cost and net realisable value. Land held for development, including land in the course of development until legal completion of sale, is valued at cost. Work in progress on development properties is valued at the cost of labour and materials plus interest incurred on borrowings for development expenditure until the date of practical completion.

Net realisable values are based on directors' assessment of the projected net sales proceeds for each property or plot of land. The key assumptions in assessing these values take into account the current and projected rental levels, anticipated property investment yields at the projected date of sale and underlying time capital values. As the property values can be heavily influenced by variances in the assumptions over time the directors' assessment of valuation assumes that properties can be held for a longer period where the net realisable value cannot be achieved in the short term.

(g) Capitalised interest

Interest is capitalised from the point at which development expenditure is incurred until the date of practical completion, except where there is a substantial delay between acquisition and commencement of physical construction, where capitalisation will commence at the latter point. Where properties are held for redevelopment, interest is capitalised from the point redevelopment commences.

(h) Associates and joint ventures

In the Group financial statements, investments in associates and joint ventures are accounted for using the gross equity method. The consolidated profit and loss account includes the Group's share of associates' and joint ventures' profits less losses, while the Group's share of the net assets of the associates and joint ventures is shown in the consolidated balance sheet.

Goodwill arising on the acquisition of associates and joint ventures is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in associates and joint ventures.

(i) Taxation

Current tax, including UK corporation 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.

The taxation liabilities of certain group undertakings are reduced wholly or in part by the surrender of losses by fellow group undertakings. The tax benefits arising from group relief are normally recognised in the financial statements of the surrendering undertakings.

Statement of Accounting Policies (continued)

(i) Taxation (continued)

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group undertakings taxable profits and their results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

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 is measured on a non-discounted basis.

(j) Turnover and revenue recognition

Group turnover was generated wholly within the United Kingdom and is net of VAT and intra group transactions. Rental, management fee and other income are recognised as they are earned. Income from the sale of development properties is recognised when the transaction is complete.

(k) Pensions

The Company participates in the Murray International Holdings Limited ("MIH") retirement benefits schemes. Details are disclosed in Note 8.

Further details on the MIH schemes are contained in that company's financial statements.

(l) Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if payments are not made on such a basis.

(m) Derivatives

The Group uses derivative financial instruments to reduce its exposure to interest rate movements. The Group does not hold or use derivative instruments for speculative purposes and accordingly does not recognise them at fair value within the financial statements. For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the period of the contracts.

Notes to the Financial Statements

1. Turnover

Segmental information:

	2012	2011
	£'000	£'000
Property sales	**117,781**	68,356
Rental income	**20,362**	28,578
Management fees	**804**	15
Other income	**337**	1,167
Total turnover	**139,284**	98,116

Included within other income is £Nil (2011 - £900,000) relating to compensation received in relation to disruption caused by major works undertaken on a site adjacent to a development property owned by the Group.

2. Exceptional items

The charge of £37,073,000 (2011 - £5,803,000) relates to a net reduction in the net realisable value of development properties held as stocks.

The charge of £7,336,000 (2011 - £Nil) relates to the cost of amending the principle terms of interest rate derivative instruments.

The gain on sale of subsidiary of £2,732,000 (2011 - £Nil) relates to the sale of the Group's interest in a subsidiary, PPG Lime Street Limited (Note 12).

3. Other operating expenses

Other operating expenses comprise:

	2012	2011
	£'000	£'000
Administrative expenses	**6,814**	5,611

4. Share of operating loss in joint ventures

	2012	2011
	£'000	£'000
Share of operating loss in joint ventures	**-**	8

Notes to the Financial Statements (continued)

5. Investment income

The following are included in investment income:

	2012 £'000	2011 £'000
Other interest receivable – group	**39**	21
Other interest receivable – share of joint venture	**-**	1
	39	22

6. Interest payable and similar charges

The following are included in interest payable and similar charges:

	2012 £'000	2011 £'000
On bank loans and overdrafts	**10,409**	11,436
On other loans	**-**	(5)
	10,409	11,431

7. (Loss)/profit on ordinary activities before taxation

The (loss)/profit on ordinary activities before taxation is stated after charging:

	2012 £'000	2011 £'000
Auditor's remuneration		
- property group audit services	**58**	58
- property group non-audit services	**20**	20
- non-property group audit services	**-**	71
Depreciation of tangible fixed assets		
- owned	**17**	48
- held under finance lease agreements	**-**	4
Amortisation of goodwill	**116**	197
Management fees	**-**	373
Operating lease rentals		
- plant, equipment and vehicles	**11**	17
- land and buildings	**243**	203
Gain on sale of fixed assets	**-**	8

Notes to the Financial Statements (continued)

8. Staff costs

Particulars of employees (including executive directors) are shown below:

Employee costs during the year amounted to:

	2012	2011
	£'000	£'000
Wages and salaries	1,349	1,808
Social security costs	181	208
Pension costs – regular contributions	206	141
Pension costs – recovery and funding plan contributions	886	676
	2,622	2,833

The average monthly number of persons employed by the Group during the year was as follows:

	2012	2011
	Number	Number
Administration	24	20

Directors' remuneration:

The remuneration of the directors was as follows:

	2012	2011
	£'000	£'000
Emoluments	409	528
Pension contributions	40	52
Compensation for loss of office	164	-
	613	580

The aggregate emoluments of the highest paid director during the year were £344,000 (2011 - £232,000) including pension contributions of £18,000 (2011 - £24,000) and compensation for loss of office. The compensation for loss of office relates to contractual entitlement to payment in lieu of a notice.

Notes to the Financial Statements (continued)

8. Staff costs (continued)

Directors' pensions:

The number of directors who were members of pension schemes was as follows:

	2012 Number	2011 Number
Money purchase schemes	3	3

The Company participated in the Murray International Holdings Limited Staff Pension and Life Assurance Plan pension scheme (the "MIH DB Pension Scheme"). This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from Murray International Holdings Limited. The Company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

Following consultation with its Members and Trustees, the MIH DB Pension Scheme was closed to future accrual with effect from 30 April 2010. The Members of the MIH DB Pension Scheme were thereafter entitled to participate in the Murray International Holdings Limited Group Personal Pension Scheme (the "MIH GPP Scheme"). The Trustees of the MIH DB Pension Scheme and the Directors of Murray International Holdings Limited have entered into a recovery and funding plan in respect of future contributions. As a consequence, regular contributions to the defined benefit scheme for the year to 30 June 2012 were £Nil (2011 - £ Nil) but the Company paid £886,000 (2011 - £676,000) towards the recovery and funding plan. Further details on the schemes can be found in the financial statements of Murray International Holdings Limited.

The MIH GPP Scheme is a defined contribution multi-employer scheme with regard to certain employees under which the benefits are restricted to the funds available. The assets of the scheme are held independently by insurance companies. All contributions are charged to the profit and loss account in the month in which they are incurred. Contributions to the scheme in the year to 30 June 2012 were £184,000 (2011 - £123,000).

The Company also makes contributions to individual defined contribution personal pension plans for certain employees and the assets of such schemes are held independently by insurance companies. All contributions are charged to the profit and loss account in the month in which they are incurred. Contributions to the scheme in the year to 30 June 2012 were £22,000 (2011 - £18,000).

Sir D E Murray and M S McGill, as directors of the ultimate holding company (Note 23) during the year, were remunerated by fellow subsidiary undertakings of the ultimate holding company and their remuneration is disclosed in that company's financial statements. It is not considered practicable to apportion this remuneration to reflect services provided to the Company or Group.

Notes to the Financial Statements (continued)

9. Tax on (loss)/profit on ordinary activities

The tax (credit)/charge comprises:

	2012	2011
	£'000	£'000
UK corporation tax – adjustment in respect of prior years	**-**	(15)
Tax attributable to joint ventures	**-**	17
	-	2

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2012	2011
	£'000	£'000
Loss on ordinary activities before tax (excluding joint ventures)	**(46,839)**	(1,540)
Tax on loss on ordinary activities at standard UK corporation tax rate of 25.5% (2011 – 27.5%)	**(11,944)**	(424)
Effects of:		
Non-deductible expense	**(481)**	(33)
Capital allowances in excess of depreciation	**(5)**	(2)
Group relief received for nil payment	**(877)**	(1,742)
Adjustment in respect of prior years	**-**	(15)
Unrelieved tax losses and other deductions	**13,142**	2,240
Short term timing differences	**165**	(39)
Current tax credit for the year	**-**	(15)

The Group suffers its losses in the UK, therefore the tax rate used for tax on loss on ordinary activities is the standard rate for UK corporation tax, currently 25.5% (2011 - 27.5%).

In the opinion of the directors there is an unprovided deferred tax asset of £45,692,000 (2011 - £31,900,000).

Notes to the Financial Statements (continued)

10. Intangible fixed assets

Group	**Goodwill £'000**
Cost	
At 30 June 2011 and at 30 June 2012	**2,069**
Amortisation	
At 30 June 2011	1,953
Charge for the year	116
At 30 June 2012	**2,069**
Net book value	
At 30 June 2012	**-**
At 30 June 2011	116

11. Tangible fixed assets

The following are included in the net book value of tangible fixed assets:

	Group 2012 £'000	**Company 2012 £'000**	Group 2011 £'000	Company 2011 £'000
Plant, equipment and vehicles	**25**	**25**	62	58

The movements in the year for the Group and Company were as follows:

	Group £'000	**Company £'000**
Cost or valuation		
At 30 June 2011	678	500
Disposals	(315)	(106)
At 30 June 2012	**363**	**394**
Depreciation		
At 30 June 2011	616	442
Charge for the year	17	13
Disposals	(295)	(86)
At 30 June 2012	**338**	**369**
Net book value		
At 30 June 2012	**25**	**25**
At 30 June 2011	62	58

The net book value of assets held under finance lease agreements, for both Group and Company, was £Nil (2011 - £Nil).

Notes to the Financial Statements (continued)

12. Fixed asset investments

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

	Group 2012 £'000	**Company 2012 £'000**	Group 2011 £'000	Company 2011 £'000
Investments in subsidiary undertakings	-	-	-	2,261
Investments in joint venture undertakings	**11**	-	124	-
	11	-	124	2,261

The movements in investments in subsidiary undertakings of the Company in the year were as follows:

	Subsidiary undertakings £'000
Cost	
At 30 June 2011	9,115
Disposals	(2,931)
At June 2012	**6,184**
Provision for impairment	
At 30 June 2011	6,854
Reversal of prior impairments	(670)
At June 2012	**6,184**
Net book value	
At 30 June 2012	-
At 30 June 2011	2,261

During the year, the Group sold its interest in a subsidiary undertaking, PPG Lime Street Limited. In addition, one of its subsidiaries, Take Two Developments Limited, was formally dissolved.

Notes to the Financial Statements (continued)

12. Fixed asset investments (continued)

Sale of subsidiary undertaking

On 7 July 2011, the Group sold the entire issued ordinary share capital of PPG Lime Street Limited.

The profit after taxation for PPG Lime Street Limited up to the date of disposal was £32,000 and for its last financial year was a profit of £1,161,000.

Net assets disposed of and the related sales proceeds were as follows:

	£'000
Current assets	43,600
Creditors	(94)
Net assets	43,506
Profit on sale	2,732
Sales proceeds	46,238
Satisfied by:	
Cash	46,238
Net cash inflows in respect of the sale comprised:	
Cash consideration	46,238
Cash balances	(57)
	46,181

The movement in investments in joint venture undertakings of the Group in the year was as follows:

	Joint ventures £'000
Net book value	
At 30 June 2011	124
Share of dividends for the year	(113)
At 30 June 2012	**11**

Notes to the Financial Statements (continued)

12. Fixed asset investments (continued)

Investments in joint venture undertakings comprise:

	Group 2012 £'000	**Company 2012 £'000**	Group 2011 £'000	Company 2011 £'000
Share of net assets	**11**	**-**	124	-

Principal trading subsidiary undertakings at 30 June 2012 were:

	Principal activity	**Holding**
PPG Developments Limited	Property management	100%
PPG (Edinburgh) Limited	Property management	100%
PPG Bracknell Limited	Property management	100%†
Grosvenor House Southampton Limited	Property management	100%
PPG Southern Limited	Property management	100%
PPG Land Limited	Property management	100%
PPG Land Normanton Limited	Property development & management	100%*†
PPG Metro Limited	Property management	100%
PPG Metro 39 Limited	Property management	100%*
PPG Metro 500 Limited	Property management	100%*
PPG Metro Mansfield Limited	Property management	100%*
PPG Metro Grosvenor Limited	Property management	100%*
PPG Metro Caledonian Limited	Property management	100%*

Unit trust holding at 30 June 2012 was:

Plumtree Court Unit Trust	Property management	100%*Ω

The sale of a property held by Plumtree Court Unit Trust was completed on 19 January 2012 and the net disposal proceeds were distributed to the unitholders, in proportion to the number of units held, in the form of a return of capital. Subsequent to the year end Plumtree Court Unit Trust was terminated.

Principal joint venture undertakings at 30 June 2012 were:

Bretton Street Developments Limited□	Property management	50%*†
Steedland Limited	Property development & management	50%*†

All holdings in subsidiary undertakings and joint ventures relate to the percentage of ordinary share capital held by the Company.

Unless noted otherwise all subsidiary, unit trust and joint venture undertakings are registered in Scotland.
* Held indirectly through subsidiary undertakings
† Registered in England
Ω Registered in Jersey
□ Entity has a non-coterminous accounting reference date of 31 January

Notes to the Financial Statements (continued)

13. Stocks

The following is included in the net book value of stocks:

	2012 £'000	2011 £'000
Land and development properties	**224,162**	418,130

Cumulative interest included in the cost of work in progress, taking into account property disposals and adjustments to net realisable values, amounted to £3,624,000 (2011 - £7,496,000).

14. Debtors

The following are included in the net book value of debtors:

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Amounts falling due within one year				
Trade debtors	**1,242**	**-**	2,526	-
Amounts due from other group undertakings	**13,335**	**230,465**	12,980	418,382
Amount due from joint venture undertaking	**-**	**-**	2	2
Amounts due from related parties	**-**	**-**	14	14
Other debtors	**3,495**	**15**	1,592	35
VAT	**-**	**277**	-	108
Prepayments and accrued income	**3,442**	**427**	7,506	741
	21,514	**231,184**	24,620	419,282
Amounts falling due after more than one year				
Amounts due from other group undertakings	**1,858**	**1,858**	1,858	1,858
	23,372	**233,042**	26,478	421,140

Company

The amounts due within one year from other group undertakings primarily relate to funds provided to the Company's subsidiary undertakings to enable them to repay their existing bank borrowings as part of a refinancing arrangement which took place in the prior year. This balance is net of provisions where the loan recoverability is considered uncertain. The amounts are unsecured and no interest is charged on the balances.

Notes to the Financial Statements (continued)

15. Creditors: amounts falling due within one year

The following are included in creditors falling due within one year:

	Group 2012 £'000	**Company 2012 £'000**	Group 2011 £'000	Company 2011 £'000
Bank overdrafts (secured)	**9,097**	**9,655**	6,916	7,330
Trade creditors	**1,689**	**224**	2,075	628
Amounts due to other group undertakings	**1,937**	**5,829**	2,314	8,173
VAT	**1,338**	**-**	1,014	-
Other taxes and social security	**31**	**31**	111	111
Other creditors	**275**	**54**	746	32
Accruals and deferred income	**7,743**	**4,024**	12,341	4,353
	22,110	**19,817**	25,517	20,627

The Group and Company bank overdrafts at 30 June 2012 are repayable on demand.

The bank overdrafts and loans are secured by bond and floating charges and debentures containing fixed and floating charges over the assets of the Company and its subsidiary undertakings and by standard securities and/or legal charges over certain properties. The overdrafts and loans bear interest at commercial rates.

16. Creditors: amounts falling due after more than one year

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

	Group 2012 £'000	**Company 2012 £'000**	Group 2011 £'000	Company 2011 £'000
Bank term loans (secured)	**242,247**	**242,247**	396,582	396,582
Amounts due to parent company	**127,431**	**127,431**	127,431	127,431
	369,678	**369,678**	524,013	524,013

The Bank term loan of £75,846,000 at 30 June 2012 (2011 - £121,582,000) is repayable in instalments on 31 December 2014 and 31 December 2015, or earlier in each year dependent on the disposal of certain properties. The loan is secured by bond and floating charges and debentures containing fixed and floating charges over the assets of the Company and of its subsidiary undertakings and by standard securities and/or legal charges over certain properties. It bears interest at commercial rates.

Notes to the Financial Statements (continued)

16. Creditors: amounts falling due after more than one year (continued)

The Bank term loan of £166,401,000 at 30 June 2012 (2011 - £275,000,000) is repayable in one instalment on 31 December 2017, or earlier dependent on the disposal of certain properties. The loan is secured by bond and floating charges and debentures containing fixed and floating charges over the assets of the Company and of its subsidiary undertakings and by standard securities and/or legal charges over certain properties. It bears interest at commercial rates.

The amounts due to the parent company have no fixed repayment date but can only be repaid once the Bank term loans are fully repaid. The balance is unsecured and no interest is charged.

The Company has entered into financial instruments to manage interest rate risk arising from borrowings (Note 21(d)). The Company does not enter into financial instruments for speculative purposes.

Borrowings are repayable as follows:

	Group 2012 £'000	**Company 2012 £'000**	Group 2011 £'000	Company 2011 £'000
Bank and term loans				
Between one and two years	-	-	12,196	12,196
Between two and five years	**75,846**	**75,846**	109,386	109,386
After five years	**166,401**	**166,401**	275,000	275,000
	242,247	**242,247**	396,582	396,582

The borrowings payable on demand or within one year are disclosed in Note 15.

17. Called up share capital

	2012 £'000	2011 £'000
Issued, allotted and fully paid		
74,761,130 ordinary shares of 10p each (2011 – 1,401,130 ordinary shares)	**7,476**	140
2,228,027 cumulative redeemable preference ("CRP") shares of £1 each	**2,228**	2,228
	9,704	2,368

On 7 March 2012, the Company issued 73,360,000 ordinary shares of 10p which were fully subscribed for by its immediate holding company, Murray Group Holdings Limited (Note 23).

The terms of the 2,228,027 CRP shares are such that redemption is solely at the discretion of the Company. The CRP shares carry no right to a dividend.

Notes to the Financial Statements (continued)

18. Reserves

The movements in the year were as follows:

	Capital redemption reserve £'000	Profit and loss account £'000
Group		
Balance at 30 June 2011	7,600	(114,495)
Loss for the financial year	-	(46,839)
Balance at 30 June 2012	**7,600**	**(161,334)**

	Capital redemption reserve £'000	Profit and loss account £'000
Company		
Balance at 30 June 2011	7,600	(131,147)
Loss for the financial year	-	(42,585)
Balance at 30 June 2012	**7,600**	**(173,732)**

19. Reconciliation of movements in shareholders' deficit

	Group 2012 £'000	**Company 2012 £'000**	Group 2011 £'000	Company 2011 £'000
Loss for the financial year	**(46,839)**	**(42,585)**	(1,549)	(28,206)
Share capital issue (Note 17)	**7,336**	**7,336**	-	-
Net depletion to shareholders' deficit	**(39,503)**	**(35,249)**	(1,549)	(28,206)
Opening shareholders' deficit	**(104,527)**	**(121,179)**	(102,978)	(92,973)
Closing shareholders' deficit	**(144,030)**	**(156,428)**	(104,527)	(121,179)

Notes to the Financial Statements (continued)

20. Notes to the consolidated cash flow statement

(a) Reconciliation of operating (loss)/profit to operating cash flows

	2012	2011
	£'000	£'000
Operating (loss)/profit	**(31,865)**	9,862
Depreciation charges	**17**	52
Goodwill amortisation charges	**116**	197
Impairment losses on development properties	**37,073**	5,803
Decrease in stocks	**116,385**	62,664
Increase in debtors	**85**	(10,365)
Decrease in creditors	**(4,977)**	(1,834)
Net cash inflow from operating activities	**116,834**	66,379

(b) Returns on investment and servicing of finance

	2012	2011
	£'000	£'000
Interest received	**40**	21
Interest paid	**(10,939)**	(12,114)
Interest rate hedge instrument amendment costs	**(7,336)**	-
Dividend from joint venture	**113**	-
Net cash outflow	**(18,122)**	(12,093)

(c) Taxation

	2012	2011
	£'000	£'000
UK corporation tax received	**-**	15

Notes to the Financial Statements (continued)

20. Notes to the consolidated cash flow statement (continued)

(d) Capital expenditure and financial investment

	2012 £'000	2011 £'000
Purchase of tangible fixed assets	-	(2)
Sale of tangible fixed assets	20	19
Net cash inflow	20	17

(e) Acquisitions and disposals

	2012 £'000	2011 £'000
Sale of subsidiary undertaking	46,181	-

(f) Financing

	2012 £'000	2011 £'000
Repayment of bank loans	(152,154)	(61,502)
Issue of share capital	7,336	-
Repayment of finance lease obligations	-	(6)
Net cash outflow	(144,818)	(61,508)

(g) Analysis and reconciliation of net debt

	2011 £'000	Cash flow £'000	2012 £'000
Cash at bank and in hand	93	95	188
Bank overdrafts and debt due within one year	(6,916)	(2,181)	(9,097)
	(6,823)	(2,086)	(8,909)
Debt due after more than one year	(396,582)	154,335	(242,247)
Total	(403,405)	152,249	(251,156)

Notes to the Financial Statements (continued)

21. Guarantees and other financial commitments

(a) Capital commitments

Capital commitments contracted but not provided at 30 June 2012 amounted to £250,000 (2011 - £ Nil).

(b) Contingent liabilities

The Company has guaranteed bank borrowings of the Company, its ultimate holding company, Murray International Holdings Limited and certain fellow subsidiary undertakings by cross guarantees. The total contingency at 30 June 2012 amounted to £34,889,000 (2011 - £137,845,000). These guarantees are secured by a bond and floating charge over the assets of the Company.

A subsidiary undertaking is currently developing land which is held within stocks. Under the terms of the outline planning permission, once a certain level of development and occupancy is reached the Group is obliged to contribute to the upgrade of certain surrounding infrastructure. The Group's share of this expenditure at the balance sheet date is estimated to be £1,000,000 (2011 - £1,525,000).

(c) VAT

The Company is registered for VAT purposes in a group of undertakings which share a common registration number. As a result, it has jointly guaranteed the VAT liability of that group of companies and failure by other members of that group of companies to meet their VAT liabilities would give rise to additional liabilities for the Company. The Directors are of the opinion that no additional liability is likely to arise.

(d) Fair values

The Group holds derivative financial instruments to manage interest rate risks. The total debt subject to interest rate derivative instruments at 30 June 2012 amounted to £211,625,000 (2011 - £297,525,000) with the fair value of these instruments amounting to a liability of £20,884,000 (2011 – liability of £26,086,000).

(e) Operating lease commitments

Annual commitments under non-cancellable operating leases for the Group were as follows:

	Land & buildings	**Other**	Land & buildings	Other
	2012	**2012**	2011	2011
	£'000	**£'000**	£'000	£'000
Group				
Expiry within one year	**-**	**-**	15	2
Expiry within two to five years	**-**	**-**	-	-
Expiry after five years	**203**	**-**	203	-
	203	**-**	218	2

Notes to the Financial Statements (continued)

22. Related party transactions

The Company has taken advantage of the exemption available under FRS 8 "Related Party Transactions" not to disclose transactions with group undertakings and fellow group undertakings of the ultimate holding company where 100% of the voting rights are controlled by the ultimate holding company.

The amounts due to and from other group undertakings at 30 June 2012 are shown in Notes 14, 15 and 16. The transactions with related parties during the year were:

Related party	Relationship	Nature of transaction	2012 £'000	2011 £'000
Bretton Street Developments Limited	Joint venture undertaking	Administrative services	-	15

The amount due by Bretton Street Developments at 30 June 2012 is £1,800 (2011 - £2,000). Included within other debtors at 30 June 2012 are management fees not yet invoiced of £Nil (2011 - £15,000).

23. Ultimate holding company

The immediate parent company is Murray Group Holdings Limited and the ultimate holding company is Murray International Holdings Limited, both of which are registered in Scotland.

The largest and smallest group in which the results of the Company are consolidated is that headed by the ultimate holding company whose principal place of business is at 10 Charlotte Square, Edinburgh, EH2 4DR. Copies of Murray International Holdings Limited financial statements are available from the above address.

On 7 March 2012, Murray International Holdings Limited and certain of its subsidiaries (the "Murray Group") completed a financial restructuring, details of which are set out in the financial statements of Murray International Holdings Limited for the period ended 30 June 2012. A summary of the principal terms of this financial restructuring are set out below:

(i) Lloyds Banking Group has increased its equity interests in the Murray Group, subscribing for approximately £117.7m of additional share capital and share premium in Murray International Holdings Limited while reducing debt levels by a similar quantum;

(ii) Following the issue of share capital, Sir David E. Murray and members of this close family continue to control the Company and the Group as a result of controlling, either directly or indirectly, 70% of the voting share capital of the issued share capital of the ultimate holding company. This percentage remains unchanged from before;

(iii) Murray Group Holdings Limited, a wholly owned subsidiary of Murray International Holdings Limited has increased its equity in the Group subscribing for approximately £7.3m of additional share capital in The Premier Property Group Limited.

24. Ultimate control

Sir D E Murray, a director of the ultimate holding company (Note 23) and members of his close family control the Group and the Company as a result of controlling directly or indirectly 70% of the issued share capital of the ultimate holding company.