The Premier Property Group Limited and Subsidiaries

Financial Statements for the year ended 30 June 2013
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 (resigned 28 February 2014)
D W Muir

Secretary
D W M Horne

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Bankers
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Exchange Tower
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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 2013.

Principal activity and business review

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

The Group continued to face the many challenges of the prevailing UK property market. Having disposed of the London based properties in earlier years, to take advantage of improvements in that market, the Group primarily operated in regional UK markets with a mix of retail, industrial and office properties and development land. These markets continued to be impacted by a lack of economic growth, poor investor appetite and restricted availability of funding. These factors have persisted for a number of years contributing to the suppressed trading performance of the Group for the period under review.

During the year, the Group disposed of close to £20 million of property. This is significantly reduced from last year's property disposals of £164 million as that figure included two London based property sales totalling £140 million. The disposals in the year to 30 June 2013 included ten property sales across Scotland and England.

Rental income has marginally decreased from the previous year taking asset disposals into account with the Group's retail assets continuing to generate the majority of this income. The asset management of the Group's retail properties remained a prime focus with the industry continuing to suffer difficult trading conditions – giving rise to further retail business failures and a demand for reduced rental levels and increased incentives. Outside of the retail sector the Group achieved a number of new office and industrial lettings during the year helping to stabilise value, and improve the marketability, of a number of properties.

The annual review of property valuations proved to be a challenging exercise. In previous years, the property carrying values reflected projected disposal values taking into account asset management objectives and an expectation of adequate time to deliver these values. As the business plan timescale was reviewed and contracted and the majority of properties sold or put under contract for sale subsequent to the year end, the property carrying values have been adjusted accordingly. This has resulted in a write-down in property carrying values of £95.5 million, predominantly relating to the retail properties, which has been treated as an exceptional cost in the year. All properties continued to be held as stock at the year end.

During the year to 30 June 2013, the Group generated a loss before tax and exceptional items of £13.2 million (2012 – loss of £5.2 million). The inclusion of exceptional charges resulted in a loss before tax of £108.7 million (2012 – loss of £46.8 million). The balance sheet movements from the prior year reflected the impact of property disposals and year end valuation adjustments. Total bank debt at 30 June 2013 reduced to £243.6 million from £251.2 million. Excluding parent company funding liabilities of £127.4 million, net liabilities at 30 June 2013 stood at £125.3 million (2012 – net liabilities of £16.6 million).

Since August 2009, in excess of £340 million has been realised from property disposals in the period to 30 June 2013 with a further £109 million sold or contracted for sale subsequent to the financial year end.

The Group has continued to focus on asset realisation and debt reduction. Underpinning this strategy implementation is the continuation of support for the Company and its Directors by Lloyds Banking Group, in the short term. Throughout the restructuring of the group headed up by the Company's ultimate holding company (Note 22), and the period since, the approach of Lloyds Banking Group has been of mutual co-operation and pragmatism. On this basis, and given the Group's strategy, the financial statements have been prepared on a basis other than that of a going concern which includes, where appropriate, writing down the Groups' assets to net realisable value. Provision has, as previously, been made for onerous contractual commitments at the balance sheet date. The financial statements however, only include provision for future costs of cessation of activities to the extent that these are committed.

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 (2012 - £Nil).

Directors of the Company

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

Sir D E Murray
L Higgins
M S McGill
C J Mitchell (resigned 28 February 2014)
D W Muir

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom 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 and the profit or loss of the Company and 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 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 are sufficient to show and explain the Group's transactions and 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 as directors in order 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 2013:

- Property sales of £19.4 million (2012 - £117.8 million);
- Loss before tax and exceptional items of £13.2 million (2012 – loss of £5.2 million);
- Property assets held at 30 June 2013 of £109.3 million (2012 - £224.1 million);
- Net debt at 30 June 2013 of £243.6 million (2012 - £251.2 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

M S McGill
Director
27 March 2014

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 2013 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 Financial Reporting Council'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 2013 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.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the statement of accounting policies, concerning the company's ability to continue as a going concern. As explained in the statement of accounting policies, the group is dependent on the continued support of the bank and the finalisation of a compromise agreement of the pension scheme and these conditions along with the other matters explained in the statement of accounting policies, indicate the existence of a material uncertainty which casts significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

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
28 March 2014

Consolidated Profit and Loss Account

	Notes	2013 Normal £'000	2013 Exceptional £'000	2013 Total £'000	2012 Normal £'000	2012 Exceptional £'000	2012 Total £'000
Group turnover	1	**33,580**	**-**	**33,580**	139,284	-	139,284
Cost of sales		**(29,573)**	**-**	**(29,573)**	(127,262)	-	(127,262)
Impairment losses on development properties	2	**-**	**(95,494)**	**(95,494)**	-	(37,073)	(37,073)
Gross (loss)/profit		**4,007**	**(95,494)**	**(91,487)**	12,022	(37,073)	(25,051)
Other operating expenses	3	**(2,903)**	**-**	**(2,903)**	(6,814)	-	(6,814)
Operating (loss)/profit		**1,104**	**(95,494)**	**(94,390)**	5,208	(37,073)	(31,865)
Share of operating loss in joint ventures	4	**(14)**	**-**	**(14)**	-	-	-
Total operating (loss)/profit		**1,090**	**(95,494)**	**(94,404)**	5,208	(37,073)	(31,865)
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		**11**	**-**	**11**	-	-	-
(Loss)/profit on ordinary activities before interest and taxation		**1,101**	**(95,494)**	**(94,393)**	5,208	(41,677)	(36,469)
Investment income	5	**48**	**-**	**48**	39	-	39
Interest payable and similar charges	6	**(14,350)**	**-**	**(14,350)**	(10,409)	-	(10,409)
Loss on ordinary activities before taxation	7	**(13,201)**	**(95,494)**	**(108,695)**	(5,162)	(41,677)	(46,839)
Tax on loss on ordinary activities	9	**-**	**-**	**-**	-	-	-
Loss for the financial year	17	**(13,201)**	**(95,494)**	**(108,695)**	(5,162)	(41,677)	(46,839)

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		2013		2012
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	10		20		25
Investments in joint ventures					
- share of gross assets	11	2,375		13	
- share of gross liabilities		(2,378)		(2)	
- loans to joint ventures		2,375		-	
			2,372		11
			2,392		36
Current assets					
Stocks	12		109,250		224,162
Debtors					
- due within one year	13		16,212		21,514
- due after more than one year	13		1,858		1,858
Cash at bank and in hand			-		188
			127,320		247,722
Creditors: amounts falling due within one year	14		(31,729)		(22,110)
Net current assets			95,591		225,612
Total assets less current liabilities			97,983		225,648
Creditors: amounts falling due after more than one year	15		(350,708)		(369,678)
Net liabilities			(252,725)		(144,030)
Capital and reserves					
Called-up share capital	16		9,704		9,704
Capital redemption reserve	17		7,600		7,600
Profit and loss account	17		(270,029)		(161,334)
Shareholders' deficit	18		(252,725)		(144,030)

These financial statements were approved by the Board of Directors on 27 March 2014 and are signed on their behalf by:

M S McGill)
) Directors
L Higgins)

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	2013 £'000	2012 £'000
Fixed assets			
Tangible assets	10	**20**	25
Investments	11	**-**	-
		20	25
Current assets			
Debtors			
- due within one year	13	**110,656**	231,184
- due after more than one year	13	**1,858**	1,858
		112,514	233,042
Creditors: amounts falling due within one year	14	**(24,642)**	(19,817)
Net current assets		**87,872**	213,225
Total assets less current liabilities		**87,892**	213,250
Creditors: amounts falling due after more than one year	15	**(350,708)**	(369,678)
Net liabilities		**(262,816)**	(156,428)
Capital and reserves			
Called-up share capital	16	**9,704**	9,704
Capital redemption reserve	17	**7,600**	7,600
Profit and loss account	17	**(280,120)**	(173,732)
Shareholders' deficit	18	**(262,816)**	(156,428)

These financial statements were approved by the Board of Directors on 27 March 2014 and are signed on their behalf by:

M S McGill)

) Directors

L Higgins) L Higgins

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	2013 £'000	2012 £'000
Cash inflow from operating activities	19(a)	**24,145**	116,834
Returns on investments and servicing of finance	19(b)	**(14,228)**	(18,122)
Capital expenditure and financial investment	19(c)	**11**	20
Acquisitions and disposals	19(d)	**(2,375)**	46,181
Cash inflow before financing		**7,553**	144,913
Financing	19(e)	**(18,970)**	(144,818)
(Decrease)/increase in cash in the year		**(11,417)**	95

	Notes	2013 £'000	2012 £'000
Reconciliation of net cash (outflow)/inflow to movements in net debt			
(Decrease)/increase in cash in the year		**(11,417)**	95
Cash inflow from movements in debt financing		**18,970**	152,154
Movement in net debt in the year		**7,553**	152,249
Net debt at the start of year		**(251,156)**	(403,405)
Net debt at the end of year	19(f)	**(243,603)**	(251,156)

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 £106,387,709 (2012 – loss of £42,585,000).

The financial statements have been approved on the assumption that the Company remains a going concern. The following paragraphs summarises the reasons on which the directors have reached their conclusion.

The company meets its day to day working requirements through its bank financing and inter-group funding from within the group in which it is the parent entity (the "PPG Group"). At 30 June 2013 the company has a bank loan and overdraft of £243,603,000 and the directors are in discussion regarding the continuation of these facilities to support the PPG Group's short to medium term plan of disposal of the PPG Group's assets.

In addition the PPG Group and its parent entity, Murray International Holdings Limited (the "Group") have, since the middle of 2013, been in discussions with the Trustees of Murray International Holdings Staff Pension and Life Assurance Plan (the "Scheme"), a defined benefit pension arrangement, with a view to negotiating a compromise agreement with the Trustees of the Scheme in respect of the Group's liability to the Scheme. At the date of finalising the financial statements, these discussions are ongoing. An outcome from the discussions with the Trustees is required in advance of the separate negotiations regarding continuation of the Group's bank facilities to support the implementation of the asset disposal programme as discussed in the Chairman's Statement and the Operations Report of the Group's financial statements for the year ended 30 June 2013.

Given the uncertainty over the continuation of bank funding and the finalisation of a compromise agreement of the Scheme, the board of directors and shareholders of the company have concluded that there is a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern.

Nevertheless after making enquiries, and considering the uncertainties described above, the directors have formed a judgement that, at the time of approval of the financial statements, the company has sufficient resources to continue operating for the foreseeable future. For these reasons, they continue to adopt the going concern basis to prepare the 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 2013.

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) 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)

(d) 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.

(e) 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' assessments 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 capital values. As the property values can be heavily influenced by variances in these 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.

(f) 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.

(g) 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.

(h) 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)

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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:

	2013 £'000	2012 £'000
Property sales	**19,420**	117,781
Rental income	**14,085**	20,362
Management fees	**-**	804
Other income	**75**	337
Total turnover	**33,580**	139,284

2. Exceptional items

The charge of £95,494,000 (2012 - £37,073,000) relates to a net reduction in the net realisable value of development properties held as stocks. Development properties have been written down to their post year end contracted sales value.

The prior year charge of £7,336,000 related to the cost of amending the principle terms of interest rate derivative instruments.

The prior year gain on sale of subsidiary of £2,732,000 related to the sale of the Group's interest in a subsidiary, PPG Lime Street Limited.

3. Other operating expenses

Other operating expenses comprise:

	2013 £'000	2012 £'000
Administrative expenses	**2,903**	6,814

4. Share of operating loss in joint ventures

	2013 £'000	2012 £'000
Share of operating loss in joint ventures	**14**	-

Notes to the Financial Statements (continued)

5. Investment income

The following is included in investment income:

	2013 £'000	2012 £'000
Other interest receivable	**48**	39

6. Interest payable and similar charges

The following is included in interest payable and similar charges:

	2013 £'000	2012 £'000
On bank loans and overdrafts	**14,350**	10,409

7. Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging:

	2013 £'000	2012 £'000
Auditor's remuneration		
- audit services	**50**	58
- non-audit services	**28**	20
Depreciation of tangible fixed assets		
- owned	**5**	17
Amortisation of goodwill	**-**	116
Operating lease rentals		
- plant, equipment and vehicles	**-**	11
- land and buildings	**214**	243
Gain on sale of fixed assets	**11**	-

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:

	2013 £'000	2012 £'000
Wages and salaries	903	1,349
Social security costs	109	181
Pension costs – regular contributions	72	206
Pension costs – recovery and funding plan contributions	-	886
	1,084	2,622

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

	2013 Number	2012 Number
Administration	12	24

Directors' remuneration:

The remuneration of the directors was as follows:

	2013 £'000	2012 £'000
Emoluments	267	409
Pension contributions	22	40
Compensation for loss of office	-	164
	289	613

The aggregate emoluments of the highest paid director during the year were £164,000 (2012 - £344,000) including pension contributions of £13,000 (2012 - £18,000) and compensation for loss of office in the year to 30 June 2012. The compensation for loss of office related 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:

	2013 Number	2012 Number
Money purchase schemes	**2**	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, there were no regular contributions to the defined benefit scheme in the years to 30 June 2012 and 2013 but the Company paid £Nil (2012 - £886,000) 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 2013 were £45,000 (2012 - £184,000).

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 2013 were £27,000 (2012 - £22,000).

Sir D E Murray and M S McGill, as directors of the ultimate holding company (Note 22) 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 on ordinary activities

	2013 **£'000**	2012 £'000
UK corporation tax	**-**	-

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:

	2013 **£'000**	2012 £'000
Loss on ordinary activities before tax (excluding joint ventures)	**(108,681)**	(46,839)
Tax on loss on ordinary activities at standard UK corporation tax rate of 23.75% (2012 – 25.5%)	**(25,812)**	(11,944)
Effects of:		
Non taxable income	**(176)**	(481)
Capital allowances in excess of depreciation	**(1)**	(5)
Group relief received for nil payment	**-**	(877)
Unrelieved tax losses in the year	**26,098**	13,142
Profits covered by losses brought forward	**(49)**	-
Short term timing differences	**(60)**	165
Current tax for the year	**-**	-

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 23.75% (2012 - 25.5%).

In the opinion of the directors there is an unprovided deferred tax asset of £63,247,000 (2012 - £45,692,000).

Notes to the Financial Statements (continued)

10. Tangible fixed assets

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

	Group 2013 £'000	**Company 2013 £'000**	Group 2012 £'000	Company 2012 £'000
Plant, equipment and vehicles	**20**	**20**	25	25

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

	Group £'000	**Company £'000**
Cost or valuation		
At 30 June 2012	363	394
Disposals	(27)	-
At 30 June 2013	**336**	**394**
Depreciation		
At 30 June 2012	338	369
Charge for the year	5	5
Disposals	(27)	-
At 30 June 2013	**316**	**374**
Net book value		
At 30 June 2013	**20**	**20**
At 30 June 2012	25	25

Notes to the Financial Statements (continued)

11. Fixed asset investments

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

	Group 2013 £'000	**Company 2013 £'000**	Group 2012 £'000	Company 2012 £'000
Investments in joint venture undertakings	**2,372**	**-**	11	-

The investment in joint venture undertaking relates to the Group's investment in Steedland Limited. The directors have reviewed the carrying value of this investment at the year end and consider its current valuation to be appropriate.

The movements in investments in joint venture undertakings of the Group in the year were as follows:

	Joint ventures £'000
Nèt book value	
At 30 June 2012	11
Share of operating loss	(14)
Loans to joint venture undertaking	2,375
At 30 June 2013	**2,372**

Investments in joint venture undertakings comprise:

	Group 2013 £'000	**Company 2013 £'000**	Group 2012 £'000	Company 2012 £'000
Share of net assets	**(3)**	**-**	11	-
Loans to joint ventures undertakings	**2,375**	**-**	-	-
	2,372	**-**	11	-

Notes to the Financial Statements (continued)

11. Fixed asset investments (continued)

Subsequent to the year end, an application for strike off of the following non-trading subsidiaries was made:

PPG Lightning Limited
Metro Grosvenor Limited
Grosvenor House Southampton Limited.

These companies are exempt from the preparation of statutory accounts by virtue of the provision of s394A of the Companies Act 1986.

These investments had been written down to £Nil in previous accounting periods.

Principal trading subsidiary undertakings at 30 June 2013 were:

	Principal activity	**Holding**
PPG Developments Limited	Property management	100%
PPG (Edinburgh) Limited	Property management	100%
PPG Bracknell 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 Caledonian Limited	Property management	100%*

Principal joint venture undertakings at 30 June 2013 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 and joint venture undertakings are registered in Scotland.
* Held indirectly through subsidiary undertakings
† Registered in England
□ Entity has a non-coterminous accounting reference date of 31 January

Notes to the Financial Statements (continued)

12. Stocks

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

	2013 £'000	2012 £'000
Land and development properties	**109,250**	224,162

Cumulative interest included in the cost of work in progress, taking into account property disposals and adjustments to net realisable values, amounted to £1,851,000 (2012 - £3,624,000).

13. Debtors

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

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Amounts falling due within one year				
Trade debtors	**869**	**-**	1,242	-
Amounts due from other group undertakings	**13,326**	**110,097**	13,335	230,465
Amounts due from related parties	**4**	**4**	-	-
Other debtors	**408**	**6**	3,495	15
VAT	**-**	**134**	-	277
Prepayments and accrued income	**1,605**	**415**	3,442	427
	16,212	**110,656**	21,514	231,184
Amounts falling due after more than one year				
Amounts due from other group undertakings	**1,858**	**1,858**	1,858	1,858
	18,070	**112,514**	23,372	233,042

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 refinancing arrangements which took place in prior years. 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)

14. Creditors: amounts falling due within one year

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

	Group 2013 £'000	**Company 2013 £'000**	Group 2012 £'000	Company 2012 £'000
Bank overdrafts (secured)	**20,326**	**20,561**	9,097	9,655
Trade creditors	**1,629**	**88**	1,689	224
Amounts due to other group undertakings	**1,938**	**509**	1,937	5,829
VAT	**389**	**-**	1,338	-
Other taxes and social security	**27**	**27**	31	31
Other creditors	**544**	**35**	275	54
Accruals and deferred income	**6,876**	**3,422**	7,743	4,024
	31,729	**24,642**	22,110	19,817

The Group and Company bank overdrafts at 30 June 2013 are repayable on demand.

The bank overdrafts 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 bear interest at commercial rates.

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

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

	Group 2013 £'000	**Company 2013 £'000**	Group 2012 £'000	Company 2012 £'000
Bank term loans (secured)	**223,277**	**223,277**	242,247	242,247
Amounts due to parent company	**127,431**	**127,431**	127,431	127,431
	350,708	**350,708**	369,678	369,678

A Bank term loan of £75,846,000 at 30 June 2013 (2012 - £75,846,000) 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)

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

A Bank term loan of £147,431,000 at 30 June 2013 (2012 - £166,401,000) 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 20(d)). The Company does not enter into financial instruments for speculative purposes.

Borrowings are repayable as follows:

	Group 2013 £'000	**Company 2013 £'000**	Group 2012 £'000	Company 2012 £'000
Bank term loans				
Between one and two years	**44,974**	**44,974**	-	-
Between two and five years	**178,303**	**178,303**	75,846	75,846
After five years	**-**	**-**	166,401	166,401
	223,277	**223,277**	242,247	242,247

The borrowings payable on demand or within one year are disclosed in Note 14.

16. Called up share capital

	2013 £'000	2012 £'000
Issued, allotted and fully paid		
74,761,130 ordinary shares of 10p each	**7,476**	7,476
2,228,027 cumulative redeemable preference ("CRP") shares of £1 each	**2,228**	2,228
	9,704	9,704

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)

17. Reserves

The movements in the year were as follows:

	Capital redemption reserve £'000	**Profit and loss account £'000**
Group		
Balance at 30 June 2012	7,600	(161,334)
Loss for the financial year	-	(108,695)
Balance at 30 June 2013	**7,600**	**(270,029)**

	Capital redemption reserve £'000	**Profit and loss account £'000**
Company		
Balance at 30 June 2012	7,600	(173,732)
Loss for the financial year	-	(106,388)
Balance at 30 June 2013	**7,600**	**(280,120)**

18. Reconciliation of movements in shareholders' deficit

	Group 2013 £'000	**Company 2013 £'000**	Group 2012 £'000	Company 2012 £'000
Loss for the financial year	**(108,695)**	**(106,388)**	(46,839)	(42,585)
Share capital issue	**-**	**-**	7,336	7,336
Net depletion to shareholders' deficit	**(108,695)**	**(106,388)**	(39,503)	(35,249)
Opening shareholders' deficit	**(144,030)**	**(156,428)**	(104,527)	(121,179)
Closing shareholders' deficit	**(252,725)**	**(262,816)**	(144,030)	(156,428)

Notes to the Financial Statements (continued)

19. Notes to the consolidated cash flow statement

(a) Reconciliation of operating loss to operating cash flows

	2013	2012
	£'000	£'000
Operating loss	**(94,390)**	(31,865)
Depreciation charges	**5**	17
Goodwill amortisation charges	**-**	116
Impairment losses on development properties	**95,494**	37,073
Decrease in stocks	**19,448**	116,385
Decrease in debtors	**5,302**	85
Decrease in creditors	**(1,714)**	(4,977)
Net cash inflow from operating activities	**24,145**	116,834

(b) Returns on investment and servicing of finance

	2013	2012
	£'000	£'000
Interest received	**48**	40
Interest paid	**(14,276)**	(10,939)
Interest rate hedge instrument amendment costs	**-**	(7,336)
Dividend from joint venture	**-**	113
Net cash outflow	**(14,228)**	(18,122)

(c) Capital expenditure and financial investment

	2013	2012
	£'000	£'000
Sale of tangible fixed assets	**11**	20
Net cash inflow	**11**	20

(d) Acquisitions and disposals

	2013	2012
	£'000	£'000
Sale of subsidiary undertaking	**-**	46,181
Investment in joint venture undertaking	**(2,375)**	-
Net cash (outflow)/inflow	**(2,375)**	46,181

Notes to the Financial Statements (continued)

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

(e) Financing

	2013	2012
	£'000	£'000
Repayment of bank loans	**(18,970)**	(152,154)
Issue of share capital	-	7,336
Net cash outflow	**(18,970)**	(144,818)

(f) Analysis and reconciliation of net debt

	2012	**Cash flow**	**2013**
	£'000	**£'000**	**£'000**
Cash at bank and in hand	188	(188)	-
Bank overdrafts and debt due within one year	(9,097)	(11,229)	**(20,326)**
	(8,909)	(11,417)	**(20,326)**
Debt due after more than one year	(242,247)	18,970	**(223,277)**
Total	(251,156)	7,553	**(243,603)**

20. Guarantees and other financial commitments

(a) Capital commitments

Capital commitments contracted but not provided at 30 June 2013 amounted to £33,000 (2012 - £250,000).

(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 2013 amounted to £52,394,000 (2012 - £34,889,000). 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. Due to the passage of time and uncertainty regarding the specification of the works it is not possible to quantify the potential liability. As the prevailing circumstances are significantly different from those existing at the grant of consent it may be possible to mitigate part or all of the liability.

(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.

Notes to the Financial Statements (continued)

20. Guarantees and other financial commitments (continued)

(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 2013 amounted to £200,100,000 (2012 - £211,625,000) with the fair value of these instruments amounting to a liability of £10,594,000 (2012 – liability of £20,884,000). Subsequent to the year end the Group terminated the interest rate derivative instrument at a cost of £6.3m.

(e) Operating lease commitments

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

	Land & buildings 2013 £'000	Land & buildings 2012 £'000
Group		
Expiry after five years	**203**	203

21. 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 2013 are shown in Notes 13, 14 and 15. The transactions with related parties during the year were:

Related party	**Relationship**	**Nature of transaction**	**2013 £'000**	2012 £'000
Bretton Street Developments Limited	Joint venture undertaking	Administrative services	-	15

The amount due by Bretton Street Developments at 30 June 2013 is £Nil (2012 - £1,800).

During the year the Company paid Andrew Glasgow, a former director of the Company and the Group £63,000 (2012 - £21,000) for consultancy services.

During the year the Group provided loan funding to Steedland Limited, a joint venture undertaking, of £2,810,000. Partial repayment of the loan was made in November 2012 leaving a balance of £2,375,000 at 30 June 2013.

22. 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.

Notes to the Financial Statements (continued)

23. Ultimate control

Sir D E Murray, a director of the ultimate holding company (Note 22) 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.