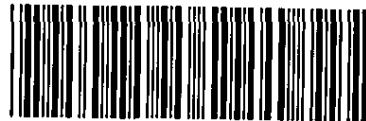


# **The Premier Property Group Limited and Subsidiaries**

Financial Statements for the year ended 30 June 2010 together with  
Directors' and Independent Auditor's Reports

Registered Number: SC139902

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## Company information

### Directors

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

### Secretary

D W M Horne

### Registered Office

9 Charlotte Square  
Edinburgh  
EH2 4DR

### Bankers

Bank of Scotland  
300 Lawnmarket  
Edinburgh  
EH1 2PH

### Solicitors

Dundas & Wilson LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EN

and at:

5th Floor  
Northwest Wing  
Bush House  
Aldwych  
London  
WC2B 4EZ

### Independent Auditor

Grant Thornton UK LLP  
95 Bothwell Street  
Glasgow  
G2 7JZ

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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 2010.

### Principal activity and business review

The difficulties experienced by the commercial property industry in recent years have been well documented. In the year to 30 June 2010, the Group's key objective was the stabilisation of the business with the completion of a strategic review and finalisation of restructuring and refinancing arrangements. In conjunction with the Murray Group and with the support of Lloyds Banking Group this process was successfully completed in April 2010.

The revised strategy focuses on medium term debt reduction and asset realisation with bank facility terms aligned to this strategy. The Group's banking arrangements incorporate term loan and working capital facilities over a 7 year period and form part of a banking structure made available to the Murray Group. In addition, the Group also received medium term parent company funding. The revised strategy has also resulted in a reclassification of property assets as the Group no longer conducts an investment property activity. All properties have therefore been transferred to stock during the year at the lower of cost and net realisable value.

As part of the restructuring the Group has acquired each of the minority interest shareholdings in its subsidiary undertakings. This included the Lloyds Banking Group's shareholdings in PPG Metro Limited and Brogue Properties Limited as well as management shareholdings in PPG Land Limited and PPG Southern Limited. The loan notes held by PPG Metro Limited and certain of its subsidiaries were also eliminated during the financial year on conversion to ordinary share capital.

The finalisation of these arrangements has allowed the Group to return its full focus to the asset management of the property portfolio. The improvement in market conditions in certain geographical locations has allowed a number of strategic disposals to be completed in each of Scotland, North England and London during the financial year. The most notable being the sale of 141 Bothwell Street, Glasgow at the end of 2009 for £66.5 million realising a profit in excess of £12.5 million.

The Group's financial results cover the 12 month period to 30 June 2010 with the comparative figures covering a 17 month trading period. Turnover has increased significantly with the improvement in property disposals and a comparative increase in rental income. A reduction in overhead costs and interest charges has also been achieved as a consequence of the restructuring and refinancing arrangements.

The Group has classified the costs associated with restructuring as exceptional charges in the year. This included the costs of restructuring interest rate hedge instruments and the financial impact of acquiring the minority shareholdings in the subsidiary undertakings. Further to significant property write-downs in the prior financial period only limited property impairments were required in the year.

The balance sheet reflected recent changes to asset classification, funding and elimination of minority interests as noted above. Total properties under management decreased to £488.1 million (2009 - £563.8 million) as a result of recent disposal activity. This activity was also reflected in the closing total net bank debt of £457.7 million (2009 - £657.5 million) which was supplemented by £127.4 million of funding from its immediate parent company, Murray Group Holdings Limited.

In summary the Group generated a profit before tax and exceptional items of £10.2 million for the year to 30 June 2010 (17 months to 2009 - loss of £12.3 million). The inclusion of exceptional charges generated a loss before tax of £34.5 million (2009 - loss of £161.2 million). Net liabilities at 30 June 2010 amounted to £103.0 million (2009 - £99.3 million).

## Report of the Directors (continued)

### Principal activity and business review (continued)

After a hugely challenging year the Group has established a stable financial base and a funding structure to support the medium term operational objectives. The focus will remain on intensive asset management of the property portfolio to ensure it is best placed to take advantage of opportunities as they arise.

Based on the changes to the business strategy the principal activity of the Group during the year was the development and management of commercial property within the UK.

### 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 (2009 - £Nil).

### Directors of the Company

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

Sir D E Murray  
I B Tudhope (resigned 30 November 2009)  
A Glasgow  
L Higgins  
C J Mitchell  
M S McGill  
D W Muir (appointed 12 December 2009)

### 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 2010:

- Property sales of £90.6 million (17 months to 30 June 2009 - £37.6 million);
- Profit before tax and exceptional items of £10.2 million (17 months to 30 June 2009 – loss of £12.3 million);
- Property assets held at 30 June 2010 of £488.1 million (2009 - £563.8 million);
- Completion of restructuring and refinancing arrangements which has significantly reduced bank borrowing and provided committed bank facilities for the medium term;
- Completion of all major development projects; 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 extensive marketing of current void space.

## Report of the Directors (continued)

### 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, caps and collars together with non-speculative hedging instruments to manage its exposure to interest rate movements on its bank borrowings.

### 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). The financial statements are required by law to 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)

In so far as each of the directors 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.

### Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 489 of the Companies Act 2006.

BY ORDER OF THE BOARD



D Horne  
Secretary  
25 October 2010

## **Report of the Independent Auditor 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 2010 which comprise of the group profit and loss account, the group statement of total gains and losses, the group and parent company balance sheets, the group 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 3 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with 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/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **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 2010 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.



## Report of the Independent Auditor 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.



Andrew Howie  
Senior Statutory Auditor  
For and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Glasgow  
25 October 2010

## Consolidated Profit and Loss Account

	Notes	Year ended 30 June 2010			17 month period to 30 June 2009		
		Normal £'000	Exceptional £'000	Total £'000	Normal £'000	Exceptional £'000	Total £'000
<b>Turnover: group and share of joint ventures</b>			-				
	1	122,978	-	122,978	88,649	-	88,649
Less share of joint venture turnover	1	(413)	-	(413)	(8,695)	-	(8,695)
Continuing operations		122,565	-	122,565	79,914	-	79,914
Discounted operations		-	-	-	40	-	40
<b>Group turnover</b>	1	122,565	-	122,565	79,954	-	79,954
Cost of sales		(88,460)	-	(88,460)	(43,940)	-	(43,940)
Impairment losses on development properties	2	-	(5,726)	(5,726)	-	(120,402)	(120,402)
<b>Gross profit/(loss)</b>		34,105	(5,726)	28,379	36,014	(120,402)	(84,388)
Other operating expenses	3	(3,842)	-	(3,842)	(12,926)	-	(12,926)
<b>Operating profit/(loss)</b>	4	30,263	(5,726)	24,537	23,088	(120,402)	(97,314)
Share of operating loss in joint ventures	5	(428)	-	(428)	(1,227)	-	(1,227)
Continuing operations		29,835	(5,726)	24,109	22,333	(120,402)	(98,069)
Discontinued operations		-	-	-	(472)	-	(472)
<b>Total operating profit/(loss)</b>		29,835	(5,726)	24,109	21,861	(120,402)	(98,541)
Impairment losses on investment properties	2	-	-	-	-	(30,634)	(30,634)
Gain on sale of investments	2	-	-	-	-	2,131	2,131
Costs of fundamental restructuring	2	-	(38,889)	(38,889)	-	-	-
Gain/(loss) on sale of fixed assets							
- Group – Continuing operations		77	-	77	8	-	8
- Joint ventures – discontinued operations		-	-	-	(3)	-	(3)
<b>Profit/(loss) on ordinary activities before interest and taxation</b>		29,912	(44,615)	(14,703)	21,866	(148,905)	(127,039)
Investment income	6	29	-	29	493	-	493
Interest payable and similar charges							
- Group	7	(19,779)	-	(19,779)	(34,510)	-	(34,510)
- Joint ventures	7	-	-	-	(154)	-	(154)
<b>Profit/(loss) on ordinary activities before taxation</b>	8	10,162	(44,615)	(34,453)	(12,305)	(148,905)	(161,210)
Tax on (loss)/profit on ordinary activities							
- Group	10	244	-	244	586	802	1,388
- Joint ventures	10	116	-	116	70	-	70
<b>Profit/(loss) on ordinary activities after taxation</b>		10,522	(44,615)	(34,093)	(11,649)	(148,103)	(159,752)
Minority interests	21	(58)	-	(58)	1,702	41,651	43,353
<b>Profit/(loss) for the financial year/period</b>	20	10,464	(44,615)	(34,151)	(9,947)	(106,452)	(116,399)

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

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

## Consolidated Statement of Total Recognised Gains and Losses

	Notes	Year to 30 June 2010 £'000	17 months to 30 June 2009 £'000
<b>Loss for the financial year/period</b>	20	<b>(34,151)</b>	<b>(116,399)</b>
Reversal of revaluation reserve on transfer to stock		<b>(1,077)</b>	-
Unrealised deficit on revaluation of investment properties		-	<b>(3,467)</b>
<b>Total recognised losses for the year/period</b>		<b><u>(35,228)</u></b>	<b><u>(119,866)</u></b>

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

## Consolidated Balance Sheet

	Notes	30 June 2010 £'000	30 June 2010 £'000	30 June 2009 £'000	30 June 2009 £'000
<b>Fixed assets</b>					
Intangible assets	11		313		510
Tangible assets	12		123		301,448
Investments in joint ventures					
-share of gross assets	13	159		736	
-share of gross liabilities		(11)		(276)	
			148		460
			584		302,418
<b>Current assets</b>					
Stocks	14		488,084		262,572
Debtors					
- due within one year	15		14,255		17,218
-due after more than one year	15		1,858		1,858
Cash at bank and in hand			7,283		189
			511,480		281,837
<b>Creditors: amounts falling due within one year</b>	16		(37,111)		(561,428)
<b>Net current assets/(liabilities)</b>			474,369		(279,591)
<b>Total assets less current liabilities</b>			474,953		22,827
Creditors: amounts falling due after more than one year	17		(577,931)		(121,255)
Provisions for liabilities and charges	18		-		(859)
<b>Net liabilities</b>			(102,978)		(99,287)
<b>Capital and reserves</b>					
Called-up share capital	19		2,368		2,368
Capital redemption reserve	20		7,600		7,600
Revaluation reserve	20		-		627
Profit and loss account	20		(112,946)		(79,564)
<b>Shareholders' deficit</b>	22		(102,978)		(68,969)
Minority interests	21		-		(30,318)
<b>Total capital deficit</b>			(102,978)		(99,287)

These financial statements were approved by the Board of Directors on 25 October 2010 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	30 June 2010 £'000	30 June 2009 £'000
<b>Fixed assets</b>			
Tangible assets	12	98	132
Investments	13	-	1
		<u>98</u>	<u>133</u>
<b>Current assets</b>			
Debtors			
- due within one year	15	499,412	18,891
- due after more than one year	15	1,858	11,858
Cash at bank and in hand		6,526	2
		<u>507,796</u>	<u>30,751</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(22,936)</u>	<u>(13,277)</u>
<b>Net current assets</b>		<u>484,860</u>	<u>17,474</u>
<b>Total assets less current liabilities</b>		<u>484,958</u>	<u>17,607</u>
Creditors: amounts falling due after more than one year	17	(577,931)	(5)
<b>Net (liabilities)/assets</b>		<u>(92,973)</u>	<u>17,602</u>
<b>Capital and reserves</b>			
Called-up share capital	19	2,368	2,368
Capital redemption reserve	20	7,600	7,600
Profit and loss account	20	(102,941)	7,634
<b>Shareholders' (deficit)/funds</b>	22	<u>(92,973)</u>	<u>17,602</u>

These financial statements were approved by the Board of Directors on 25 October 2010 and are signed on their behalf by:

Sir D E Murray )  
                              ) Directors  
C J Mitchell )

The Company's registration number is SC139902.

## Consolidated Cash Flow Statement

	Notes	30 June 2010 £'000	30 June 2009 £'000
<b>Cash inflow/(outflow) from operating activities</b>	23(a)	226,139	(14,258)
Returns on investments and servicing of finance	23(b)	(40,007)	(33,328)
Taxation	23(c)	-	14
Capital expenditure and financial investment	23(d)	(1,757)	(47,503)
Acquisitions and disposals	23(e)	-	9,930
<b>Cash inflow/(outflow) before financing</b>		<b>184,375</b>	<b>(85,145)</b>
Financing	23(f)	339,242	48,151
<b>Increase/(decrease) in cash in the year/period</b>		<b>523,617</b>	<b>(36,994)</b>
		30 June 2010 £'000	30 June 2009 £'000
<b>Reconciliation of net cash inflow/(outflow) to movements in net debt</b>			
<b>Increase/(decrease) in cash in the year/period</b>		523,617	(36,994)
Cash inflow from movements in debt financing		(339,242)	(48,151)
New finance leases		-	(28)
Non-cash movements		15,406	-
<b>Movement in net debt in year/period</b>		<b>199,781</b>	<b>(85,173)</b>
Net debt at the start of year		(657,504)	(572,331)
<b>Net debt at the end of year</b>	23(g)	<b>(457,723)</b>	<b>(657,504)</b>

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 year and prior period are:

### **(a) Basis of accounting**

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets 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 £110,575,000 (2009 - £5,184,000).

The Group and Company balance sheets at 30 June 2010 show that the Group and the Company are in a net liability position. The directors have reviewed the trading prospects and financial and cash flow projections of the business and have secured a new 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 2010.

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

In accordance with SSAP 19, investment properties are revalued annually. Surpluses or deficits on individual properties are transferred to the revaluation reserve, unless a deficit (or its reversal) is expected to be permanent and is in excess of any previously recognised surplus over cost related to the same property, in which case it is charged (or credited) to the profit and loss account. Depreciation is not provided in respect of freehold investment properties or leasehold investment properties where the unexpired term of the lease is more than 20 years. The directors consider that this accounting policy, which represents a departure from the Companies Act, is necessary to provide a true and fair view.

Development properties are those properties in respect of which construction and development have not been completed at the balance sheet date, and are reflected at cost, including an allocation of overheads and interest charges on external borrowings which are related to the properties, where recoverability is reasonably certain. In the opinion of the directors, the residual value of those development properties currently being operated for business purposes is sufficient to eliminate the requirement for depreciation. Provisions are made against the carrying value of development properties when the directors consider book value to exceed recoverable value. The directors consider that these policies are necessary to provide a true and fair view.

Development properties are classified within tangible fixed assets or stocks according to the specific disposal or realisation strategy for each property with all properties held for both development and resale treated as stock.

Where there is a fundamental change in the nature of an investment property such as commencement of development activity it will be classified as a development property within tangible fixed assets or transferred to stocks in line with the above criteria.

Other 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 held for development and resale are valued at the lower of the cost and net realisable value. Land held for development, including land in the course of development until legal completion of sale, is valued at the lower of the cost and net realisable value. 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, less any provision for impairment.

The estimated net realisable values for stock and work in progress are based on the directors' assessment of residual values for land and properties under development and projected net sales proceeds for completed properties. The key assumptions in assessing these values take into account current market rental levels, investment yields and construction cost data.

### (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.



## Statement of Accounting Policies (continued)

### (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.

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 and management fee income is recognised as it is 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 which are defined contribution and defined benefit in nature. Details are disclosed in Note 9.

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

## Statement of Accounting Policies (continued)

### **(l) Leases**

Assets held under leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and estimated useful life. The capital elements of future finance lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the agreement to produce a constant rate of charge on the balance of capital repayments outstanding.

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) Share-based payment**

The Group has applied the requirements of FRS 20.

The Group issues share options in the form of equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability and exercise restrictions.

## Notes to the Financial Statements

### 1. Turnover

Segmental information:

	Year to 30 June 2010 £'000	17 months to 30 June 2009 £'000
Property sales	90,633	37,572
Rental income	31,396	41,219
Management fees	486	822
Other income	50	341
<b>Group turnover</b>	<b>122,565</b>	<b>79,954</b>
Property sales – share of joint ventures	413	8,695
<b>Total turnover</b>	<b>122,978</b>	<b>88,649</b>

### 2. Exceptional items

The charge of £5,726,000 (2009 - £120,402,000) relates to a reduction in the net realisable value of development properties held as stock.

The charge of £38,889,000 in the current year (2009 - £Nil) relates to the break costs of interest rate derivative instruments and the loss on acquisition of minority interests in subsidiary undertakings as part of a group restructuring and refinancing exercise.

The charge in the prior period of £30,634,000 related to an impairment in the market value of investment properties during that period.

The credit in the prior period of £2,131,000 related to the disposal of the Group's interests in the ordinary share capital of subsidiaries and joint ventures.

### 3. Other operating expenses

Other operating expenses comprise:

	Year to 30 June 2010 £'000	17 months to 30 June 2009 £'000
Administrative expenses	3,842	12,926

### 4. Operating profit/(loss)

	Year ended 30 June 2010			17 month period to 30 June 2009		
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Other operating expenses	3,842	-	3,842	12,414	512	12,926

Cost of sales and impairment losses on development properties held as stock all relate to continuing operations.

## Notes to the Financial Statements (continued)

### 5. Share of operating loss in joint ventures

	Year ended 30 June 2010			17 month period to 30 June 2009		
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Share of operating profit/(loss) in joint ventures	(428)	-	(428)	855	(2,082)	(1,227)

### 6. Investment income

The following are included in investment income:

	Year to 30 June 2010 £'000	17 months to 30 June 2009 £'000
Interest receivable on loans to joint ventures	-	46
Other interest receivable	29	447
	<u>29</u>	<u>493</u>

### 7. Interest payable and similar charges

The following are included in interest payable and similar charges:

	Year to 30 June 2010 £'000	17 months to 30 June 2009 £'000
On bank loans and overdrafts	19,315	40,862
On loan notes 2000/2009	113	339
On loan notes 2004/2009	75	226
On loan notes 2005/2012	269	813
On other loans	7	2
Share of joint venture bank interest payable	-	154
	<u>19,779</u>	<u>42,396</u>
Less: capitalised on development properties within tangible fixed assets	-	(4,400)
Less: added to the cost of work in progress	-	(3,332)
	<u>19,779</u>	<u>34,664</u>

The cumulative interest capitalised is shown in Notes 12 and 14.

## Notes to the Financial Statements (continued)

### 8. Profit/(loss) on ordinary activities before taxation

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

	Year to 30 June 2010 £'000	17 months to 30 June 2009 £'000
Auditor's remuneration for audit services	45	46
Depreciation of tangible fixed assets		
- owned	111	255
- held under finance lease agreements	14	23
Amortisation of goodwill	197	280
Management fees	372	651
Operating lease rentals		
- plant, equipment and vehicles	17	48
- land and buildings	239	429
Gain on sale of fixed assets	77	8
	<hr/>	<hr/>

### 9. Staff costs

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

Employee costs during the year amounted to:

	Year to 30 June 2010 £'000	17 months to 30 June 2009 £'000
Wages and salaries	1,748	4,591
Social security costs	187	513
Pension costs	238	431
	<hr/>	<hr/>
	2,173	5,535
	<hr/>	<hr/>

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

	Year to 30 June 2010 Number	17 months to 30 June 2009 Number
Administration	22	29
	<hr/>	<hr/>

Directors' remuneration:

The remuneration of the directors was as follows:

	Year to 30 June 2010 £'000	17 months to 30 June 2009 £'000
Emoluments	662	1,710
Pension contributions	146	267
	<hr/>	<hr/>
	808	1,977
	<hr/>	<hr/>

## Notes to the Financial Statements (continued)

### 9. Staff costs

The aggregate emoluments of the highest paid director during the year were £287,000 (2009 - £805,000) including pension contributions of £83,000 (2009 - £153,000).

Directors' pensions:

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

	Year to 30 June 2010 Number	17 months to 30 June 2009 Number
Defined benefit schemes	-	4
Money purchase schemes	3	1
	<u>3</u>	<u>5</u>

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.

Contributions to the defined benefit scheme, determined in consultation with a qualified actuary on the basis of triennial valuations, for the year to 30 June 2010 were £110,000 (2009 - £228,000). The combined contribution rate during the year ended 30 June 2010 was 21% comprising 13% employer contributions and 8% employee contributions.

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 agreed to enter into a recovery and funding plan in respect of future contributions. 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 2010 were £33,000 (2009 - £33,000).

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 2010 were £95,000 (2009 - £170,000).

Sir D E Murray and M S McGill, as directors of the ultimate holding company (Note 26) during the year, were remunerated by Murray Group Management Limited, a fellow subsidiary undertaking 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)

### 10. Tax on profit/(loss) on ordinary activities

The tax charge/(credit) comprises:

	Year to 30 June 2010 £'000	17 months to 30 June 2009 £'000
Current tax:		
UK corporation tax	-	38
Adjustment in respect of prior periods	615	(1,642)
Total current tax	615	(1,604)
Deferred tax:		
Origination and reversal of timing differences:		
- current period	(89)	316
- prior period	(770)	(101)
Effect of tax rate change on opening balance	-	1
Total deferred tax (Note 18)	(859)	216
Total tax credit on profit/(loss) on ordinary activities	(244)	(1,388)
Tax attributable to joint ventures	(116)	(70)
	(360)	(1,458)

## Notes to the Financial Statements (continued)

### 10. Tax on profit/(loss) on ordinary activities (continued)

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

	Year to 30 June 2010 £'000	17 months to 30 June 2009 £'000
Loss on ordinary activities before tax (excluding joint ventures)	(34,025)	(159,826)
Tax on loss on ordinary activities at standard UK corporation tax rate of 28% (2009 – 28.23%)	(9,527)	(45,122)
Effects of:		
Non-taxable income	(8,314)	(1,277)
Non-deductible expense	11,875	21,318
Capital gains	16	-
Utilisation of tax losses	(97)	-
Depreciation in excess of capital allowances	-	28
Capital allowances in excess of depreciation	973	(101)
Group relief received	(3,045)	-
Adjustment in respect of prior periods	615	(1,642)
Unrelieved tax losses and other deductions	8,062	24,785
Short term timing differences	57	407
Current tax charge/(credit) for the period	615	(1,604)

The Group earns its results in the UK, therefore the tax rate used for tax on profit/(loss) on ordinary activities is the standard rate for UK corporation tax, currently 28% (2009 - 28.23%).

No deferred tax provision has been made in the current year. In the opinion of the directors there is an unprovided deferred tax asset of £34,543,000 (2009 - £22,867,000).

### 11. Intangible fixed assets

Group	Goodwill £'000
<b>Cost</b>	
At 30 June 2009 and at 30 June 2010	2,069
<b>Amortisation</b>	
At 30 June 2009	1,559
Charge for the period	197
At 30 June 2010	1,756
<b>Net book value</b>	
At 30 June 2010	313
At 30 June 2009	510



## Notes to the Financial Statements (continued)

### 12. Tangible fixed assets

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

	<b>Group 2010 £'000</b>	<b>Company 2010 £'000</b>	<b>Group 2009 £'000</b>	<b>Company 2009 £'000</b>
Investment properties	-	-	159,813	-
Development properties	-	-	141,424	-
Plant, equipment and vehicles	<b>123</b>	<b>98</b>	<b>211</b>	<b>132</b>
	<b>123</b>	<b>98</b>	<b>301,448</b>	<b>132</b>

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

	<b>Investment properties £'000</b>	<b>Development properties £'000</b>	<b>Plant, equipment &amp; vehicles £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>				
At 30 June 2009	159,813	194,427	735	354,975
Additions	561	1,236	37	1,834
Reversal of revaluation reserve	(1,077)	-	-	(1,077)
Transfers to stock	(159,297)	(195,663)	-	(354,960)
Disposals	-	-	(63)	(63)
<b>At 30 June 2010</b>	<b>-</b>	<b>-</b>	<b>709</b>	<b>709</b>
<b>Depreciation</b>				
At 30 June 2009	-	53,003	524	53,527
Charge for the year	-	-	125	125
Transfers to stock	-	(53,003)	-	(53,003)
Disposals	-	-	(63)	(63)
<b>At 30 June 2010</b>	<b>-</b>	<b>-</b>	<b>586</b>	<b>586</b>
<b>Net book value</b>				
<b>At 30 June 2010</b>	<b>-</b>	<b>-</b>	<b>123</b>	<b>123</b>
At 30 June 2009	159,813	141,424	211	301,448

Freehold and leasehold investment properties were valued on an open market, existing-use basis, by the directors as at 30 June 2009. The valuations were undertaken by an officer of the Company who was a qualified chartered surveyor. The valuation was made in full compliance with the RICS Appraisal and Valuation Manual. In addition, the Group policy is for all properties to be externally valued on acquisition and on a regular cycle thereafter. In accordance with SSAP 19, the investment properties were not depreciated. It was not possible to quantify the depreciation which would otherwise have been charged. The historic cost of investment properties at the year end was £Nil (2009 - £189,372,000). If the revalued properties were sold at their book values, a credit to corporation tax of £Nil (2009 - £8,345,000) would arise, which has not been recognised in the financial statements.

## Notes to the Financial Statements (continued)

### 12. Tangible fixed assets (continued)

Cumulative interest included in the cost of development properties, after adjustments for transfers to work in progress during the year, amounted to £Nil (2009 - £4,894,000).

The net book value of assets held under finance lease agreements was £15,000 (2009 - £29,000).

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

	Plant, equipment & vehicles £'000
<b>Cost</b>	
At 30 June 2009	560
Additions	34
Disposals	(63)
<b>At 30 June 2010</b>	<b>531</b>
<b>Depreciation</b>	
At 30 June 2009	428
Charge for the period	67
Disposals	(62)
<b>At 30 June 2010</b>	<b>433</b>
<b>Net book value</b>	
<b>At 30 June 2010</b>	<b>98</b>
At 30 June 2009	132

The net book value of assets held under finance lease agreements was £15,000 (2009 - £29,000).

## Notes to the Financial Statements (continued)

### 13. Fixed asset investments

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

	<b>Group 2010 £'000</b>	<b>Company 2010 £'000</b>	<b>Group 2009 £'000</b>	<b>Company 2009 £'000</b>
Investments in subsidiary undertakings	-	-	-	1
Investments in joint ventures	148	-	460	-
	<u>148</u>	<u>-</u>	<u>460</u>	<u>1</u>

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

	<b>Subsidiary undertakings £'000</b>
<b>Cost</b>	
At 30 June 2009	19,728
Additions	15,408
Disposals	(26,021)
<b>At 30 June 2010</b>	<u><b>9,115</b></u>
<b>Provision for impairment</b>	
At 30 June 2009	19,727
Amounts provided	3,112
Disposals	(13,724)
<b>At 30 June 2010</b>	<u><b>9,115</b></u>
<b>Net book value</b>	
At 30 June 2010	<u>-</u>
At 30 June 2009	<u>1</u>

The amounts provided in the year and the disposal of investments in subsidiary undertakings primarily relate to restructuring arrangements completed during the year. This included the acquisition of additional shareholdings in existing subsidiary undertakings which were subsequently transferred to other subsidiary undertakings at nominal value. The amounts provided and the losses on disposal were treated by the Company as exceptional items in costs of fundamental restructuring.

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

	<b>Joint ventures £'000</b>
<b>Net book value</b>	
At 30 June 2009	460
Share of loss for the year	(312)
<b>At 30 June 2010</b>	<u><b>148</b></u>

## Notes to the Financial Statements (continued)

### 13. Fixed asset investments (continued)

Investments in joint ventures comprise:

	Group 2010 £'000	Company 2010 £'000	Group 2009 £'000	Company 2009 £'000
Share of net assets	148	-	460	-

Principal trading subsidiary undertakings at 30 June 2010 were:

	Principal activity	Holding
PPG Developments Limited	Property development & management	100%
PPG (Edinburgh) Limited	Property development & management	100%
PPG Lightning Limited	Property development & management	100%
PPG Bracknell Limited	Property development & management	100%†
Grosvenor House Southampton Limited	Property development & management	100%
PPG Lime Street Limited	Property development & management	100%
PPG Southern Limited	Property development & management	100%
PPG Land Limited	Property development & management	100%
PPG Land Normanton Limited	Property development & management	100%*†
Brogue Properties Limited	Property development & management	100%
PPG Metro Limited	Property development & management	100%
PPG Metro Franborough Limited	Property development & management	100%*
PPG Metro Greenock Limited	Property development & management	100%*
PPG Metro 39 Limited	Property development & management	100%*
PPG Metro 500 Limited	Property development & management	100%*
PPG Metro Mansfield Limited	Property development & management	100%*
Eleven Haymarket Limited	Property development & management	100%*†
PPG Metro Grosvenor Limited	Property development & management	100%*
PPG Metro Caledonian Limited	Property development & management	100%*

Unit trust holding at 30 June 2010 was:

Plumtree Court Unit Trust	Property development & management	100%*Ω
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Principal joint venture undertaking at 30 June 2010 was:

	Principal activity	Holding
Bretton Street Developments Limited□	Property development	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.

On 11 September 2009, PPG Cumberland Place Limited changed its name to Grosvenor House Southampton Limited.

## Notes to the Financial Statements (continued)

### 14. Stocks

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

	2010 £'000	2009 £'000
Work in progress	488,084	262,572

Cumulative interest included in the cost of work in progress, after adjustments for sales and transfers from fixed assets during the year, amounted to £17,499,000 (2009 - £16,785,000).

### 15. Debtors

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

	Group 2010 £'000	Company 2010 £'000	Group 2009 £'000	Company 2009 £'000
<b>Amounts falling due within one year</b>				
Trade debtors	2,413	-	3,847	-
Amounts falling due from other group undertakings	5,949	498,621	4,551	16,614
Other debtors	204	15	3,032	5
VAT	-	176	712	36
Prepayments and accrued income	5,689	600	5,076	2,236
	<u>14,255</u>	<u>499,412</u>	<u>17,218</u>	<u>18,891</u>
<b>Amounts falling due after more than one year</b>				
Amounts due from other group undertakings	1,858	1,858	1,858	11,858
	<u>16,113</u>	<u>501,270</u>	<u>19,076</u>	<u>30,749</u>

Company:

The amounts due within one year from other group undertakings at 30 June 2010 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 (Note 17). 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)

### 16. Creditors: amounts falling due within one year

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

	Group 2010 £'000	Company 2010 £'000	Group 2009 £'000	Company 2009 £'000
Bank loans and overdrafts (secured)	14,500	14,500	531,429	4,766
Obligations under finance lease agreements	6	6	9	9
Trade creditors	1,399	59	1,083	81
Amounts due to other group undertakings	2,314	3,209	2,890	4,589
Interest bearing loan notes 2000/2009	-	-	3,000	-
Interest bearing loan notes 2004/2009	-	-	2,000	-
Corporation tax payable	19	-	19	-
VAT	1,767	-	899	-
Other taxes and social security	53	53	51	51
Other creditors	733	20	715	164
Accruals and deferred income	16,320	5,089	19,333	3,617
	<b>37,111</b>	<b>22,936</b>	<b>561,428</b>	<b>13,277</b>

The Group and Company bank loans at 30 June 2010 of £14,500,000 are repayable on 31 December 2010. The loan is secured by bond and floating charges and debentures over the assets of the Company and its subsidiary undertakings and by standard securities or fixed charges over certain properties. It bears interest at commercial rates.

The Group bank overdrafts of £2,367,000 at 30 June 2009 were secured by bonds and floating charges and debentures over the assets of the Company and its subsidiary undertakings and in certain cases by cross guarantees. In addition, certain properties were subject to standard securities or fixed charges. The overdrafts bore interest at commercial rates.

The Group bank loans of £529,062,000 at 30 June 2009 were all secured by bonds and floating charges and debentures over the assets of the relevant companies and by standard securities or fixed charges over certain properties. The loans bore interest at commercial rates.

The Company bank loans and overdraft at 30 June 2009 were secured by bond and floating charges and debentures over the assets of the Company and of its subsidiary undertakings and by standard securities or fixed charges over certain properties. They bore interest at commercial rates.

The interest bearing loan notes 2000/2009 and 2004/2009 due within one year were unsecured and bore interest at commercial rates. The loan notes were converted into ordinary share capital on 18 December 2009. This transaction was completed as part of the wider restructure and refinancing of the Murray International Holdings Limited Group (Note 26) and as such has been accounted for as a debt for equity conversion rather than a waiver of debt. This is on the basis that whilst minimal equity was given by the Company on conversion of the loan notes, the value of the equity given by the wider Murray International Holdings Limited Group was sufficient to cover this debt.

## Notes to the Financial Statements (continued)

### 17. Creditors: amounts falling due after more than one year

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

	Group 2010 £'000	Company 2010 £'000	Group 2009 £'000	Company 2009 £'000
Bank term loans (secured)	450,500	450,500	111,250	-
Amounts due to parent company	127,431	127,431	-	-
Interest bearing loan notes 2005/2012	-	-	10,000	-
Obligations under finance lease agreements	-	-	5	5
	<u>577,931</u>	<u>577,931</u>	<u>121,255</u>	<u>5</u>

The Company finalised terms of a new bank facility on 21 April 2010. The new arrangements incorporate term loan and working capital facilities which are made available to the Company over a 7 year period. The facilities form part of a bank facility structure made available to the Murray Group. The Company also received funding from its immediate parent company (Note 26).

As part of these refinancing arrangements, the Company utilised this funding to provide inter-company funds to each of its subsidiaries to enable them to repay their existing bank borrowing. The future funding requirements of the Company's subsidiaries will also be met by the Company with a requirement for any surplus cash held by the subsidiaries to be remitted to the Company in repayment of the inter-company funding.

The Bank term loan of £175,500,000 at 30 June 2010 is repayable in annual instalments of varying amounts on 31 December of each year with the final payment due on 31 December 2015. The loan is secured by bond and floating charges and debentures over the assets of the Company and of its subsidiary undertakings and by standard securities or fixed charges over certain properties. It bears interest at commercial rates.

The Bank term loan of £275,000,000 at 30 June 2010 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 over the assets of the Company and of its subsidiary undertakings and by standard securities or fixed charges over certain properties. It bears interest at commercial rates.

The amounts due to the parent company at 30 June 2010 has 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 Group term loans of £111,250,000 at 30 June 2009 were all secured by bonds and floating charges and debentures over the assets of the relevant companies and by standard securities or fixed charges over certain properties. The loans bore interest at commercial rates.

The interest bearing loan notes 2005/2012 were unsecured and bore interest at a commercial rate. The loan notes were converted into ordinary share capital on 18 December 2009. This transaction was completed as part of the wider restructure and refinancing of the Murray International Holdings Limited Group (Note 26) and as such has been accounted for as a debt for equity conversion rather than a waiver of debt. This is on the basis that whilst minimal equity was given by the Company on conversion of the loan notes, the value of the equity given by the wider Murray International Holdings Limited Group was sufficient to cover this debt.

The Company has entered into financial instruments to manage interest rate risk arising from borrowings (Note 24(d)). The Company does not enter into financial instruments for speculative purposes.

## Notes to the Financial Statements (continued)

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

Borrowings are repayable as follows:

	Group 2010 £'000	Company 2010 £'000	Group 2009 £'000	Company 2009 £'000
<b>Bank and term loans</b>				
Between one and two years	16,000	16,000	-	-
Between two and five years	119,000	119,000	111,250	-
After five years	315,500	315,500	-	-
	<u>450,500</u>	<u>450,500</u>	<u>111,250</u>	<u>-</u>
<b>Interest bearing loan notes</b>				
Between two and five years	-	-	10,000	-
	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
<b>Obligation under finance lease agreements</b>				
Between one and two years	-	-	5	5
	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
<b>Total borrowings</b>				
Between one and two years	16,000	16,000	5	5
Between two and five years	119,000	119,000	121,250	-
After five years	315,500	315,500	-	-
	<u>450,500</u>	<u>450,500</u>	<u>121,255</u>	<u>5</u>

The borrowings payable on demand or within one year are disclosed in Note 16.

### 18. Provisions for liabilities and charges

Deferred taxation has been provided to the extent that the Directors have concluded, on the basis of reasonable assumptions and the intentions of management, that it is probable that the liability will be realised. There was no deferred tax provision in the Company at 30 June 2010 (2009 - £Nil).

	2010 £'000	2009 £'000
Deferred taxation (accelerated capital allowances)	-	859
	<u>-</u>	<u>859</u>

The movement on net deferred tax during the year was:

	£'000
At 30 June 2009	859
Credited to profit and loss account (Note 10)	(859)
	<u>-</u>
At 30 June 2010	-



## Notes to the Financial Statements (continued)

### 19. Called up share capital

	2010 £'000	2009 £'000
<b>Issued, allotted and fully paid</b>		
1,401,130 ordinary shares of 10p each	140	140
2,228,027 cumulative redeemable preference ("CRP") shares of £1 each	2,228	2,228
	<u>2,368</u>	<u>2,368</u>

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.

### 20. Reserves

The movements in the year were as follows:

	Capital redemption £'000	Revaluation reserve £'000	Profit and loss account £'000
<b>Group</b>			
Balance at 30 June 2009	7,600	627	(79,564)
Loss for the financial year	-	-	(34,151)
Transfer on acquisition of minority interests	-	450	-
Reversal of revaluation reserve	-	(1,077)	-
Reserve transfer on loan note conversion	-	-	15,408
Minority interest share of loan note reserve transfer	-	-	(14,639)
<b>Balance at 30 June 2010</b>	<u>7,600</u>	<u>-</u>	<u>(112,946)</u>

## Notes to the Financial Statements (continued)

### 20. Reserves (continued)

	Capital redemption reserve £'000	Profit and loss account £'000
<b>Company</b>		
Balance at 30 June 2009	7,600	7,634
Loss for the financial year	-	(110,575)
<b>Balance at 30 June 2010</b>	<b>7,600</b>	<b>(102,841)</b>

The Company operated an unapproved share option scheme. Options were exercisable at a prescribed price and could be exercised after an average vesting period of one year. All options, on exercise, were to be settled by the delivery of shares and expired if they remained unexercised after a period of 10 years.

FRS 20 requires that an amount is included in the profit and loss account as an expense that represents a fair value of these options. During the year share option expenses totalling £Nil (2009 - £345,000) were recognised in respect of options granted.

Details of the number of share options and the weighted average exercise price ("WAEP") of options outstanding during the year are as follows:

	Number	WAEP
Outstanding at 30 June 2009	184,919	33.25
Options surrendered during the year	(184,919)	33.25
<b>Outstanding at 30 June 2010</b>	<b>-</b>	

The Black Scholes model was adopted for the share option valuation and no prior year adjustment has been made under this method. The inputs to the Black Scholes model were as follows:

Weighted average share price	£36.40
Weighted average exercise price	£33.25
Expected volatility	23%
Expected life	10 years
Risk free rate of return	4.7%

## Notes to the Financial Statements (continued)

### 21. Minority interests

The movements in the year were as follows:

	Minority interests £'000
<b>Group</b>	
Balance at 30 June 2009	(30,318)
Share of profit on ordinary activities after taxation	58
Share of reserve transfer on loan note conversion	14,639
Transfer to revaluation reserve on minority acquisition	(450)
Minorities acquired	16,071
<b>Balance at 30 June 2010</b>	<b>-</b>

The minority interests in each of PPG Metro Limited, Brogue Properties Limited, PPG Land Limited and PPG Southern Limited were acquired by the Company during the year.

### 22. Reconciliation of movements in shareholders' (deficit)/funds

	Group 2010 £'000	Company 2010 £'000	Group 2009 £'000	Company 2009 £'000
Loss for the financial period	(34,151)	(110,575)	(116,399)	(5,183)
Revaluation of investment properties	-	-	(3,467)	-
Minority interest share of property revaluations	-	-	1,616	-
Transfer of revaluation reserve from minority interests	450	-	-	-
Reversal of revaluation reserve	(1,077)	-	-	-
Reserve transfer on loan note conversion	15,408	-	-	-
Minority interest share of reserve transfer on loan note conversion	(14,639)	-	-	-
Credit in respect of share based payments	-	-	345	345
<b>Net depletion to shareholders' (deficit)/funds</b>	<b>(34,009)</b>	<b>(110,575)</b>	<b>(117,905)</b>	<b>(4,838)</b>
Opening shareholders' (deficit)/funds	(68,969)	17,602	48,936	22,440
<b>Closing shareholders' (deficit)/funds</b>	<b>(102,978)</b>	<b>(92,973)</b>	<b>(68,969)</b>	<b>17,602</b>

## Notes to the Financial Statements (continued)

### 23. Notes to the consolidated cash flow statement

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

	2010 £'000	2009 £'000
Operating profit/(loss)	24,537	(97,314)
Depreciation charges	125	278
Goodwill amortisation charges	197	280
Impairment losses on development properties	5,726	120,402
Decrease/(increase) in stocks	69,574	(35,568)
Decrease in debtors	2,992	336
Increase/(decrease) in creditors	122,988	(3,017)
Movement in respect of share based payments	-	345
Net cash inflow/(outflow) from operating activities	<u>226,139</u>	<u>(14,258)</u>

#### (b) Returns on investment and servicing of finance

	2010 £'000	2009 £'000
Interest received	-	1,623
Interest paid	(17,191)	(34,951)
Interest rate hedge instrument break costs	(22,816)	-
Net cash outflow	<u>(40,007)</u>	<u>(33,328)</u>

#### (c) Taxation

	2010 £'000	2009 £'000
UK corporation tax received	-	14

## Notes to the Financial Statements (continued)

### 23. Notes to the consolidated cash flow statement (continued)

#### (d) Capital expenditure and financial investment

	2010 £'000	2009 £'000
Purchase of tangible fixed assets	(1,834)	(47,573)
Sale of tangible fixed assets	77	70
Net cash outflow	<u>(1,757)</u>	<u>(47,503)</u>

#### (e) Acquisitions and disposals

	2010 £'000	2009 £'000
Sale of joint venture undertaking	-	2,060
Sale of subsidiaries	-	7,984
Purchase of minority interest	-	(114)
Net cash inflow	<u>-</u>	<u>9,930</u>

#### (f) Financing

	2010 £'000	2009 £'000
Repayment of bank loans	(111,250)	-
New bank loan	450,500	48,168
Repayment of finance lease obligations	(8)	(17)
Net cash inflow	<u>339,242</u>	<u>48,151</u>

#### (g) Analysis and reconciliation of net debt

	2009 £'000	Cash flow £'000	Non-cash movements £'000	2010 £'000
Cash at bank and in hand	189	7,094	-	7,283
Bank overdrafts and debt within one year	(536,429)	516,523	5,406	(14,500)
	<u>(536,240)</u>	<u>523,617</u>	<u>5,406</u>	<u>(7,217)</u>
Debt due after more than one year	(121,250)	(339,250)	10,000	(450,500)
Finance lease obligations	(14)	8	-	(6)
Total	<u>(657,504)</u>	<u>184,375</u>	<u>15,406</u>	<u>(457,723)</u>

## Notes to the Financial Statements (continued)

### 24. Guarantees and other financial commitments

#### (a) Capital commitments

Capital commitments contracted but not provided at 30 June 2010 amounted to £Nil (2009 - £210,000).

#### (b) Contingent liabilities

The Company has guaranteed bank borrowings of the Company, certain of its subsidiary undertakings and fellow subsidiary undertakings by cross guarantees. The total contingency at 30 June 2010 amounted to £140,885,000 (2009 - £443,267,000).

A subsidiary undertaking is currently developing land which is held within stock. Under the terms of the outline planning permission, once the development reaches a certain level of occupancy the Group is obliged to upgrade certain surrounding infrastructure. The Group's share of this expenditure at the balance sheet date is estimated to be £1,525,000 (2009 - £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 2010 amounted to £297,525,000 (2009 - £70,000,000) with the fair value of these instruments amounting to a liability of £24,575,000 (2009 - liability of £8,964,000).

#### (e) Operating lease commitments

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

	Land & buildings 2010 £'000	Other 2010 £'000	Land & buildings 2009 £'000	Other 2009 £'000
<b>Group</b>				
Expiry within one year	6	6	-	6
Expiry within two to five years	58	-	64	-
Expiry after five years	147	-	147	-
	<u>211</u>	<u>6</u>	<u>211</u>	<u>6</u>

## Notes to the Financial Statements (continued)

### 25. 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 2010 are shown in Notes 15, 16 and 17. The main transactions during the year with Bretton Street Developments Limited and Murray Estates Lothian Limited (formerly PPG (Lothian) Limited) were as follows:

Related party	Relationship	Nature of transaction	2010 £'000	2009 £'000
Bretton Street Developments Limited	Joint venture undertaking	i) Administrative services	483	624
		ii) Interest receivable	-	46
		iii) Funding repaid	-	(639)
Murray Estates Lothian Limited	Former joint venture undertaking	i) Management fees	-	120

The amount due by Bretton Street Developments at 30 June 2010 is £Nil (2009 - £Nil). Included within other debtors at 30 June 2010 are management fees not yet invoiced of £6,000 (2009 - £6,000). The amount due by Murray Estates Lothian Limited at 30 June 2010 is £Nil (2009 - £60,000).

### 26. 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 9 Charlotte Square, Edinburgh, EH2 4DR. Copies of Murray International Holdings Limited financial statements are available from the above address.

### 27. Ultimate control

Sir D E Murray, a director of the ultimate holding company (Note 26) and members of his close family control the Group and the Company as a result of controlling directly or indirectly 76% of the issued share capital of the ultimate holding company.