

REGISTERED NUMBER: SC226704 (Scotland)

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013
FOR
D.U.K.E. Properties (UK) Limited
(formerly Valad Properties (UK) Limited)**

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D.U.K.E. Properties (UK) Limited
(formerly Valad Properties (UK) Limited) (Registered number: SC226704)

CONTENTS OF THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2013

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	4
Statement of Profit or Loss	6
Statement of Profit or Loss and Other Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Statement of Cash Flows	11
Notes to the Financial Statements	12

D.U.K.E. Properties (UK) Limited
(formerly Valad Properties (UK) Limited)

COMPANY INFORMATION
for the Year Ended 30 June 2013

DIRECTORS:	C J A Bearman Valsec Director Limited
SECRETARY:	Valad Secretarial Services Limited
REGISTERED OFFICE:	1st Floor Exchange Place 3 3 Semple Street Edinburgh EH3 8BL
REGISTERED NUMBER:	SC226704 (Scotland)
AUDITORS:	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Benson House 33 Wellington Street Leeds LS1 4JP
BANKERS:	Bank of Scotland 2nd Floor New Ubertior House 11 Earl Grey Street Edinburgh EH3 9BN
SOLICITORS:	Shepherd and Wedderburn LLP Condor House 10 St Paul's Churchyard London EC4M 8AL

D.U.K.E. Properties (UK) Limited
(formerly Valad Properties (UK) Limited) (Registered number: SC226704)

REPORT OF THE DIRECTORS
for the Year Ended 30 June 2013

The directors present their annual report and the audited financial statements of the company for the year ended 30 June 2013.

CHANGE OF NAME

The company passed a special resolution on 6 February 2013 changing its name from Valad Properties (UK) Limited to D.U.K.E. Properties (UK) Limited.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of a holding company engaged through its subsidiaries in property investment and letting of commercial properties.

REVIEW OF BUSINESS

Both the level of activity for the year and the financial position at the end of the year were as anticipated and the directors expect that the current level of investment income will be sustained for the foreseeable future.

The company's profit for the year is £5,629,000 (2012: profit of £12,382,000) and is dealt with as shown on the income statement.

DIVIDENDS

The directors have not recommended a dividend (2012: £nil).

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 July 2012 to the date of this report.

C J A Bearman
Valsec Director Limited

GOING CONCERN

Despite the current economic climate we have prepared the financial statements on a going concern basis. The justification for this is disclosed in the accounting policies note under going concern.

PRINCIPAL RISKS AND UNCERTAINTIES

The directors of D.U.K.E. Real Estate Limited manage the group's risks at a group level, rather than at an individual business unit level. For this reason, the company's directors believe that a discussion of the company's risks would not be appropriate for an understanding of the development, performance or position of the business of the company. The principal risks and uncertainties of D.U.K.E. Real Estate Limited, which include those of the company, are discussed in the group's annual report which does not form part of this report.

KEY PERFORMANCE INDICATORS

The directors of D.U.K.E. Real Estate Limited manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators of the company is not necessary or appropriate for an understanding of the development, performance or position of the business of the company. The development, performance and position of D.U.K.E. Real Estate Limited, which includes the company, is discussed in the group's annual report, which does not form part of this report.

FINANCIAL RISK MANAGEMENT

The company's financial risk management is set out in detail in note 18 to the financial statements.

D.U.K.E. Properties (UK) Limited
(formerly Valad Properties (UK) Limited) (Registered number: SC226704)

REPORT OF THE DIRECTORS
for the Year Ended 30 June 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

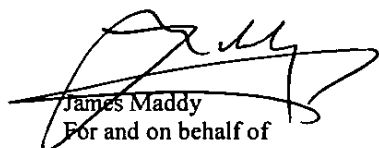
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ON BEHALF OF THE BOARD:


James Maddy
For and on behalf of
Valsec Director Limited - Director

26 June 2014

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
D.U.K.E. PROPERTIES (UK) LIMITED
(FORMERLY VALAD PROPERTIES (UK) LIMITED)**

We have audited the financial statements of D.U.K.E. Properties (UK) Limited (formerly known as Valad Properties (UK) Limited) for the year ended 30 June 2013 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 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 applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2013 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 note 1 to the financial statements concerning the ability of the company to continue as a going concern. The company is a party to a cross guarantee on the Group's Bank of Scotland plc facility and is therefore dependent on the ability of the Group to continue as a going concern. The Outline Terms of the facility with the Bank of Scotland plc are not yet approved by the credit committee and compliance with the repayment covenant depends on the ability of the Group to achieve sales in line with the business plan. Failure to comply with covenants would result in the need for the respective facility to be renegotiated. These matters indicate the existence of material uncertainties which may cast significant doubt over the ability of the company to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
D.U.K.E. PROPERTIES (UK) LIMITED
(FORMERLY VALAD PROPERTIES (UK) LIMITED)**

Matters on which we are required to report by exception

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

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



Ian Marsden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

26 June 2014

D.U.K.E. Properties (UK) Limited
(formerly Valad Properties (UK) Limited) (Registered number: SC226704)

STATEMENT OF PROFIT OR LOSS
for the Year Ended 30 June 2013

	Notes	30.6.13 £'000	30.6.12 £'000
CONTINUING OPERATIONS			
Revenue		535	-
Income from non-current asset investments		112	1,420
Reversal of impairment of receivables		10,516	20,966
Administrative (expense)/ income		(3,294)	4,734
Impairment of investments		<u>(1,832)</u>	<u>(1,619)</u>
OPERATING PROFIT		6,037	25,501
Finance costs	3	(873)	(14,250)
Finance income	3	<u>465</u>	<u>1,131</u>
PROFIT BEFORE INCOME TAX	4	5,629	12,382
Income tax	5	<u>-</u>	<u>-</u>
PROFIT FOR THE YEAR		<u><u>5,629</u></u>	<u><u>12,382</u></u>

The notes form part of these financial statements

D.U.K.E. Properties (UK) Limited
(formerly Valad Properties (UK) Limited) (Registered number: SC226704)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the Year Ended 30 June 2013

	30.6.13 £'000	30.6.12 £'000
PROFIT FOR THE YEAR	5,629	12,382
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>5,629</u>	<u>12,382</u>

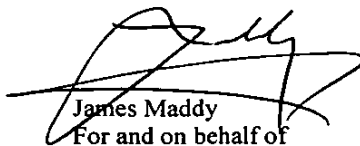
The notes form part of these financial statements

D.U.K.E. Properties (UK) Limited
(formerly Valad Properties (UK) Limited) (Registered number: SC226704)

STATEMENT OF FINANCIAL POSITION
30 June 2013

	Notes	30.6.13 £'000	30.6.12 £'000
ASSETS			
NON-CURRENT ASSETS			
Investments	6	<u>9,952</u>	<u>11,839</u>
CURRENT ASSETS			
Receivables	7	<u>2,354</u>	<u>7,558</u>
TOTAL ASSETS		<u>12,306</u>	<u>19,397</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	8	151	151
Share premium	9	14,850	14,850
Accumulated losses	9	<u>(233,148)</u>	<u>(238,777)</u>
TOTAL EQUITY		<u>(218,147)</u>	<u>(223,776)</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	11	-	234,889
Derivative financial instruments	13	<u>4,414</u>	<u>8,045</u>
		<u>4,414</u>	<u>242,934</u>
CURRENT LIABILITIES			
Payables	10	134	239
Financial liabilities - borrowings			
Interest bearing loans and borrowings	11	<u>225,905</u>	<u>-</u>
		<u>226,039</u>	<u>239</u>
TOTAL LIABILITIES		<u>230,453</u>	<u>243,173</u>
TOTAL EQUITY AND LIABILITIES		<u>12,306</u>	<u>19,397</u>

The financial statements on pages 6 to 27 were approved by the Board of Directors on 26 June 2014 and were signed on its behalf by:


James Maddy
For and on behalf of
Valsec Director Limited - Director

The notes form part of these financial statements

D.U.K.E. Properties (UK) Limited
(formerly Valad Properties (UK) Limited) (Registered number: SC226704)

STATEMENT OF CHANGES IN EQUITY
for the Year Ended 30 June 2013

	Called up share capital £'000	Accumulated losses £'000	Share premium £'000	Total equity £'000
Balance at 1 July 2011	151	(251,159)	14,850	(236,158)
Changes in equity				
Total comprehensive income	-	12,382	-	12,382
Balance at 30 June 2012	151	(238,777)	14,850	(223,776)
Changes in equity				
Total comprehensive income	-	5,629	-	5,629
Balance at 30 June 2013	151	(233,148)	14,850	(218,147)

The notes form part of these financial statements

D.U.K.E. Properties (UK) Limited
(formerly Valad Properties (UK) Limited) (Registered number: SC226704)

STATEMENT OF CASH FLOWS
for the Year Ended 30 June 2013

		30.6.13 £'000	30.6.12 £'000
Cash flows from operating activities			
Cash generated from operations	1	13,023	27,441
Interest paid		<u>(4,504)</u>	<u>(6,205)</u>
Net cash from operating activities		<u>8,519</u>	<u>21,236</u>
Cash flows from investing activities			
Interest received		<u>465</u>	<u>1,131</u>
Net cash from investing activities		<u>465</u>	<u>1,131</u>
Cash flows from financing activities			
(Repayment of)/proceeds from borrowings		<u>(8,984)</u>	<u>(22,367)</u>
Net cash from financing activities		<u>(8,984)</u>	<u>(22,367)</u>
		<u> </u>	<u> </u>
Increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		<u>-</u>	<u>-</u>
Cash and cash equivalents at end of year		<u><u>-</u></u>	<u><u>-</u></u>

The notes form part of these financial statements

D.U.K.E. Properties (UK) Limited
(formerly Valad Properties (UK) Limited) (Registered number: SC226704)

NOTES TO THE STATEMENT OF CASH FLOWS
for the Year Ended 30 June 2013

1. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	30.6.13	30.6.12
	£'000	£'000
Profit before income tax	5,629	12,382
Impairment of investments	1,832	1,619
(Reversal)/Impairment of receivables	(10,516)	(20,966)
Finance costs	873	14,250
Finance income	<u>(465)</u>	<u>(1,131)</u>
	(2,647)	6,154
Decrease in trade and other receivables	15,775	21,418
Decrease in trade and other payables	<u>(105)</u>	<u>(131)</u>
Cash generated from operations	<u>13,023</u>	<u>27,441</u>

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2013

1. ACCOUNTING POLICIES

Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with European Union ("EU") Endorsed International Financial Reporting Standards ("IFRSs"), IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, with the exception of financial instruments which require an alternative treatment under IFRS.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed on page 14.

The company is exempt under section 400 of the Companies Act 2006 from preparing consolidated financial statements on the grounds that the results of the company and its subsidiaries are incorporated in the consolidated financial statements of the ultimate parent company, D.U.K.E. Real Estate Limited.

New standards and amendments

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2012:

- IAS 1 'Presentation of financial statements' - Amendment regarding other comprehensive income.

New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 July 2012 but not currently relevant to the company (although they may affect the accounting for future transactions and events):

- Amendment to IAS 32, 'Financial instruments: Presentation' is not applicable to the company as no rights issues have been made during the period;
- Amendment to IFRS 7, 'Financial instruments: Disclosures' is not applicable as the company has not transferred the classification of any financial assets during the period; and
- Amendments to IAS 19 'Employee Benefits'.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2012, but not adopted early:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010 and replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. The company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 July 2015, subject to endorsement by the EU;
- IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The company is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 for the accounting period beginning on 1 July 2014;

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2013

1. ACCOUNTING POLICIES - continued

- IFRS 11, 'Joint arrangements', amends the definitions of joint arrangements and has reduced the 'types' of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated with equity accounting being mandatory for participants in joint ventures. Entities that participate in joint operations will follow accounting much like that for joint assets or joint operations today. The company is yet to assess IFRS 11's full impact and intends to adopt IFRS 11 for the accounting period beginning on 1 July 2014;

- IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The company is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 for the accounting period beginning on 1 July 2014;

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where it is already required or permitted by other standards within IFRS or US GAAP. The company is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 for the accounting period beginning 1 July 2013;

- Amendment to IAS 12, 'Income taxes', on deferred tax. IAS 12 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether the recovery will be through use or through when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn; and

- Amendment to IAS 36, 'Impairment of assets'. The amendments to IAS 36 address the disclosure information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. IASB has amended IAS 36 to remove the requirement to disclose the recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment. In addition, there is requirement to disclose the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed and detailed disclosures of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed.

There are changes to the following IFRSs and IFRIC interpretations that are not yet effective but are not expected to have a material impact on the company:

- IAS 27 (revised 2011) 'Separate financial statements' - effective 1 July 2013

- IAS 28 (revised 2011) 'Associates and joint ventures' - effective 1 July 2013

- Amendment to IFRS 1 'First time adoption' on government grants - effective 1 July 2013

- Amendment to IFRS 7 'Financial instruments: Disclosure' on financial instruments asset and liability offsetting - effective 1 July 2013

- Amendment to IAS 32 'Financial instruments: Presentation' on financial instruments asset and liability offsetting - effective 1 July 2013

- IFRIC 20 'Stripping costs in the production phase of a surface mine' - effective 1 July 2013

General information

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2013

The company is a limited liability company incorporated and domiciled in Scotland. The address of its registered office is: 1st Floor, Exchange Place 3, 3 Semple Street, Edinburgh, EH3 8BL.

Revenue recognition

Revenue comprises management fees receivable. Revenue is recognised to the extent it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. All such income is reported net of discounts and value added and other sales taxes.

Financial instruments

The company recognises financial instruments when it becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual right to receive the cash flows expires or it has transferred the financial asset and the economic benefit of the cash flows. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Financial instruments are used to support the company's operations. Interest is charged to the income statement as incurred or earned. Issue costs for instruments subsequently recorded at amortised cost are netted against the fair value of the related debt instruments on initial recognition and are charged to the income statement over the term of the relevant facility.

Financial instruments are recorded initially at fair value. Subsequent measurement depends on the designation of the instrument, as follows:

- a) Financial assets/liabilities held for short term gain, including derivatives other than hedging instruments, are measured at fair value and movements in fair value are credited/charged to the income statement in the year.
- b) Loans and receivables/payables and non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market are measured at amortised cost. These are included in current assets/liabilities except for instruments that mature after more than 12 months which are included in non current assets/liabilities.

Critical judgements in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements.

There are not considered to be any significant areas of judgement and sources of estimation uncertainty affecting the amounts recognised in the company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2013

1. ACCOUNTING POLICIES - continued

Taxation

Current tax

The expense or credit for current tax is based on the results for the year adjusted for items that are either not subject to taxation or for expenditure which cannot be deducted in computing the tax expense or credit. The tax expense or credit is calculated using taxation rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax

Deferred tax is recognised using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax is recognised in respect of all taxable temporary differences, with certain limited exceptions:

- deferred tax is not provided on the initial recognition of an asset or liability in a transaction that does not affect accounting profit or taxable profit and is not a business combination; and

- deferred tax assets are only recognised if it is probable that there will be sufficient profits from which the future reversal of the temporary differences can be deducted. In deciding whether future reversal is probable, the directors review the company's forecasts and make an estimate of the aggregate deferred tax asset that should be recognised. This aggregate deferred tax asset is then allocated into the different categories of deferred tax.

Deferred tax is calculated at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except where it applies to items credited or charged to equity, in which case the deferred tax is also dealt with in equity.

Foreign currency translation

Functional and presentation currency

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. The company's functional currency is British Pounds Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets such as equities classified as available for sale financial assets are included in equity.

Dividend distribution

Dividend distribution to the company's shareholders is recognised in the financial statements in the year in which the dividends are paid.

Borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2013

1. ACCOUNTING POLICIES - continued

Going concern

The financial statements have been prepared on the going concern basis which assumes that the company and the ultimate parent company D.U.K.E. Real Estate Limited ("Group") will be able to continue in operation for the foreseeable future.

The company is a party to a cross guarantee with other subsidiaries in the Group and is therefore dependent on the ability of the Group to continue as a going concern.

On 22 March 2012 the Group signed a new banking facility with Bank of Scotland plc (a subsidiary of Lloyds Banking Group plc) which provided committed facilities through to 31 December 2016. The facility contained cross collateralisation and cross default provisions across the vast majority of the Group.

The facility included debt repayment covenants, valuation test covenants and cash flow cover covenants. The first test date for the debt repayment and valuation covenants was 30 June 2013. The cash flow cover covenant comprised a rolling 12 month look forward tested quarterly from 31 March 2012 which must demonstrate that the Group will remain cash positive.

At 30 June 2013 the debt repayment and valuation covenant were failed. The cash flow cover covenant was and continues to remain compliant.

Outline Terms have now been agreed between the Group and the Bank which are subject to credit approval. The terms include a waiver of pre-existing covenant breaches, the adoption of a revised business plan and associated covenant tests, a sale by the Bank to the Group of a large proportion of the debt outstanding for £1 and agreement that any residual debt outstanding following the realisation of all assets will be written off or sold back to the Group for £1.

In forming their view of going concern, the Directors have therefore considered the Outline Terms which have been agreed with the Bank and the detailed financial models through to 31 December 2016. In particular the Directors have taken significant comfort from the Bank's willingness to release the Group of debt obligations following an orderly realisation of the Groups assets. The financial models forecast a programme of asset disposals which enable new debt repayment covenants to be met and are based upon a detailed strategy at both an asset and fund level which will be implemented in conjunction with the Asset Manager, Valad Europe. The key assumptions inherent in these projections relate to property valuations, property sales values, timing of disposals, the income and cost profile of each property asset along with the borrowing costs of the Group. The Directors have carefully considered these assumptions and made an assessment of whether the assumptions are reasonable paying particular attention to key sensitivities such as cash headroom, assumed interest rates and the value and timing of asset disposals. Given the inherent uncertainty in the model there is a risk that the covenants are not met in the envisaged timescale.

Taking all the above into account, together with the close relationship the Group has with the Lloyds Banking Group plc who are also 50% shareholders in DUKE, the Directors believe that the Group will be able to meet its liabilities as they fall due for the foreseeable future and that it is appropriate to prepare the financial statements on the going concern basis.

In the event that the Outline Terms are not approved by the credit committee of Bank of Scotland plc or that business plan is not achieved leading to a failure to meet covenants the facility would need to be renegotiated which the Directors are confident would be achieved. This however represents a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would result from them not being prepared on a going concern basis.

D.U.K.E. Properties (UK) Limited
(formerly Valad Properties (UK) Limited) (Registered number: SC226704)

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2013

1. ACCOUNTING POLICIES - continued

Investments

Fixed asset investments are stated in the balance sheet at cost, less provision for any impairment.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the company controls another entity.

Joint ventures

Joint ventures are those entities over whose activities the company has joint control established by contractual agreement. Interests in joint ventures through which the company carries on its business are classified as jointly controlled entities.

Profit or loss on disposal

Disposals are accounted for when legal completion of the sale has occurred or there has been an unconditional exchange of contracts. Profits or losses on disposal arise from deducting the asset's net carrying value from the net proceeds and is recognised in the income statement. Net carrying value includes valuation in the case of investment properties and historic cost or deemed cost less accumulated depreciation in the case of all other property, plant and equipment.

Accrued income

Accrued income is unit trust profit distribution not yet received.

Impairment

The carrying value of cash generating units (taking into account related liabilities and allocated central net assets) is tested for impairment by comparison with expected relevant future cash flows discounted at the pre-tax cost of capital taking into account appropriate risk; provision is made for any impairment identified.

When a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the present value of expected future cash flows of the relevant cash generating unit) or 'fair value less costs to sell'. Where there is no binding sale agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the company could receive for the cash generating unit in an arm's length transaction.

Cash and cash equivalents

In the preparation of the company's statement of cash flows, cash and cash equivalents represent short term liquid investments which are readily realisable. Cash which is subject to restrictions, being held to match certain liabilities, is included in cash and cash equivalents in the balance sheet.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. EMPLOYEES AND DIRECTORS

The company had no employees during the current or prior year.

Directors' emoluments

The directors are executives of the Valad (Europe) plc group. D.U.K.E. Real Estate Limited, the ultimate parent company, has a management agreement with Valad Management Services Limited, a subsidiary of Valad (Europe) plc. The management charge is invoiced to D.U.K.E. Real Estate Limited and a recharge is not made to subsidiary companies. The management charge includes various costs and the directors' remuneration cannot be separately identified.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2013

3. NET FINANCE COSTS

	30.6.13 £'000	30.6.12 £'000
Finance income:		
Bank interest	-	1
Interest receivable from group or subsidiary undertakings	308	410
Interest receivable from joint ventures	<u>157</u>	<u>720</u>
	<u>465</u>	<u>1,131</u>
Finance costs:		
Bank interest	4,504	6,205
Fair value of interest rate swaps	<u>(3,631)</u>	<u>8,045</u>
	<u>873</u>	<u>14,250</u>
Net finance costs	<u>408</u>	<u>13,119</u>

4. PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging/(crediting):

	30.6.13 £'000	30.6.12 £'000
Foreign exchange differences	2,814	(5,515)
Impairment of investments	1,832	1,619
Reversal of impairment of receivables	<u>(10,516)</u>	<u>(20,966)</u>

During the year, the company received distributions from its ownership in unit trusts totalling £0.1m (2012: £1.4m).

Auditors' remuneration

The audit fee of the company for the current and prior year is borne by the ultimate parent company, D.U.K.E. Real Estate Limited.

5. INCOME TAX

Analysis of tax expense

No liability to UK corporation tax arose on ordinary activities for the year ended 30 June 2013 nor for the year ended 30 June 2012.

D.U.K.E. Properties (UK) Limited
(formerly Valad Properties (UK) Limited) (Registered number: SC226704)

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2013

5. INCOME TAX - continued

Factors affecting the tax expense

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	30.6.13	30.6.12
	£'000	£'000
Profit on ordinary activities before income tax	<u>5,629</u>	<u>12,382</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.750% (2012 - 25.500%)	1,337	3,157
Effects of:		
Non-deductible impairment of non-current asset investments	797	413
Non-deductible impairment of receivables	(2,977)	(5,478)
Capital allowances in excess of depreciation	-	(43)
Group relief surrendered for nil consideration	843	968
Tax losses carried forward for which no deferred tax recognised	<u>-</u>	<u>983</u>
Tax expense	<u>-</u>	<u>-</u>

The UK corporation tax rate reduced from 24% to 23% from 1 April 2013. Further reductions in the UK corporation tax rate to 21% from 1 April 2014 and 20% from 1 April 2015 were substantively enacted on 2 July 2013.

D.U.K.E. Properties (UK) Limited
(formerly Valad Properties (UK) Limited) (Registered number: SC226704)

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2013

6. INVESTMENTS

	Shares in group undertakings £'000	Interest in unit trusts £'000	Interest in joint ventures £'000	Limited partnerships £'000	Other investment s £'000	Totals £'000
Cost						
At 1 July 2012	5,480	48,739	1,212	225	1,079	56,735
Write off during the year	-	-	-	(55)	-	(55)
At 30 June 2013	5,480	48,739	1,212	170	1,079	56,680
Provisions						
At 1 July 2012	5,039	37,951	1,180	-	726	44,896
Provision for year	382	1,148	-	-	302	1,832
As 30 June 2013	5,421	39,099	1,180	-	1,028	46,728
Net book value						
At 30 June 2013	59	9,640	32	170	51	9,952
At 30 June 2012	441	1,079	32	225	353	11,839

In the opinion of the directors, the aggregate value of the company's investments is not less than the amount at which they are stated in the financial statements.

The company holds more than 20% of the share capital of the following entities:

Companies	Country of incorporation	Principal activity	Class	%
Subsidiary undertakings				
Coleridge (No. 1) Limited	Scotland	Property investments	Ordinary shares	100
Coleridge (No. 3) Limited	Scotland	Property investments	Ordinary shares	100
Coleridge (No. 5) Limited	Scotland	Property investments	Ordinary shares	100
Coleridge (No. 6) Limited	Scotland	Property investments	Ordinary shares	100
Coleridge (No. 8) Limited	Scotland	Property investments	Ordinary shares	100
Coleridge (No. 9) Limited	Scotland	Property investments	Ordinary shares	100
Coleridge (No. 13) Limited	Scotland	Property investments	Ordinary shares	100
Coleridge (No. 14) Limited	Scotland	Property investments	Ordinary shares	100
Coleridge (No. 26) Limited	England and Wales	Property investments	Ordinary shares	100
Coleridge (No. 27) Limited	England and Wales	Property investments	Ordinary shares	100
Coleridge (No. 33) Limited	England and Wales	Property investments	Ordinary shares	100
Coleridge (No. 34) Limited	England and Wales	Property investments	Ordinary shares	100
Coleridge (No. 35) Limited	England and Wales	Property development	Ordinary shares	100
Coleridge (No. 36) Limited	England and Wales	General partner to Limited Partnership	Ordinary shares	100
Coleridge (No. 39) Limited	England and Wales	Property investments	Ordinary shares	100
Coleridge (No. 41) Limited	England and Wales	Property investments	Ordinary shares	100
Coleridge (No. 43) Limited	England and Wales	Property investments	Ordinary shares	100
Melville Street Properties Ltd	Scotland	Property investments	Ordinary shares	100
Coleridge (Dormants) Ltd	England and Wales	Holding company	Ordinary shares	100

D.U.K.E. Properties (UK) Limited
(formerly Valad Properties (UK) Limited) (Registered number: SC226704)

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2013

Companies	Country of incorporation	Principal activity	Class	%
Subsidiary undertakings				
Coleridge (No. 45) Limited	England and Wales	Property investments	Ordinary shares	100
Coleridge (No. 47) Limited	Jersey	Property investments	Ordinary shares	100
Coleridge (No. 48) Limited	England and Wales	Property investments	Ordinary shares	100
Coleridge (Theobalds Road) Ltd	England and Wales	Property investments	Ordinary shares	100
Valad Bouquet Limited	Scotland	Non trading	Ordinary shares	100
		General partner to		
Valad Combined GP Limited	Scotland	Limited Partnerships	Ordinary shares	100
Valad Properties (Marsh Mills) Limited	England and Wales	Property development	Ordinary shares	100
Valad Properties (Archway) Limited	Isle of Man	Property investments	Ordinary shares	100
Bondi Properties Limited	England and Wales	Holding company	'A' Ordinary shares	100
Joint Ventures				
Valad Ventures UK Limited	England and Wales	Holding company	Ordinary shares	49

The company has an interest in the following and each were held directly by the company except where indicated by*:

Other entities	Principal activity	Location	Ownership	%
Subsidiary undertakings				
Senate Unit Trust	Property investment	Jersey	Units	96
Prisma Unit Trust	Property investment	Jersey	Units	98
Summit House Unit Trust	Property investment	Jersey	Units	98
Norwich House Camberley Unit Trust	Property investment	Jersey	Units	97
Turnham Green Unit Trust	Property investment	Jersey	Units	98
Britannia Park Unit Trust*	Property investment	Jersey	Units	92
Watling Park Unit Trust*	Property investment	Jersey	Units	100
Joint ventures				
Valad Combined Limited Partnership	Property investment	Scotland	Partners' Capital	50

7. RECEIVABLES

	30.6.13 £'000	30.6.12 £'000
Current:		
Amounts owed by group undertakings	9	12
Amounts owed by joint ventures	176	4,322
Value added tax	4	114
Prepayments and accrued income	<u>2,165</u>	<u>3,110</u>
	<u>2,354</u>	<u>7,558</u>

D.U.K.E. Properties (UK) Limited
(formerly Valad Properties (UK) Limited) (Registered number: SC226704)

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2013

7. RECEIVABLES - continued

All amounts owed by group or subsidiary undertakings are repayable on demand, carry no security and are interest free.

All amounts owed by joint ventures are repayable on demand and carry no security. The interest rate receivable on these balances ranges from 1.25% above the base rate to 6% fixed per annum.

The carrying amount of receivables approximate to their fair value. All of the company's receivables are denominated in sterling.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables as disclosed in note 12. The company does not hold any collateral as security.

The receivables contain impaired assets. During the year the company has made a reversal of provision of £12,533,000 (2012: reversal of provision of £21,482,000) against amounts owed by group and subsidiary undertakings and provided £2,001,000 (2012: £516,000) against amounts owed by joint ventures.

Movements on the company provision for impairment of receivables are as follows:

	30.6.13 £'000	30.6.12 £'000
At 1 July	155,251	176,217
Net reversal of provision for receivables impairment	<u>(10,532)</u>	<u>(20,966)</u>
At 30 June	<u>144,719</u>	<u>155,251</u>

8. CALLED UP SHARE CAPITAL

	30.6.13 £	30.6.12 £
Issued and fully paid:		
500 'A' ordinary shares of £1 each	500	500
500 'B' ordinary shares of £1 each	500	500
7,500,000 'C' ordinary shares of 1 pence each	75,000	75,000
7,500,000 'D' ordinary shares of 1 pence each	<u>75,000</u>	<u>75,000</u>
	<u>151,000</u>	<u>151,000</u>

9. RESERVES

	Accumulated losses £'000	Share premium £'000	Totals £'000
At 1 July 2012	(238,777)	14,850	(223,927)
Profit for the year	<u>5,629</u>		<u>5,629</u>
At 30 June 2013	<u>(233,148)</u>	<u>14,850</u>	<u>(218,298)</u>

D.U.K.E. Properties (UK) Limited
(formerly Valad Properties (UK) Limited) (Registered number: SC226704)

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2013

10. PAYABLES

	30.6.13 £'000	30.6.12 £'000
Current:		
Other payables	1	1
Accruals and deferred income	<u>133</u>	<u>238</u>
	<u>134</u>	<u>239</u>

11. FINANCIAL LIABILITIES - BORROWINGS

	30.6.13 £'000	30.6.12 £'000
Non-current:		
Bank borrowings	<u>-</u>	<u>234,889</u>
Current:		
Bank borrowings	<u>225,905</u>	<u>-</u>

Bank borrowings pay interest which comprises a margin above LIBOR. Margins on the facilities are 1%.

Bank borrowings are secured by way of fixed charges over the group's property assets and a floating charge over other assets of the group.

On 22 March 2012 the Group signed new banking facilities with Lloyds Banking Group which provide committed facilities through to 31 December 2016.

The bank loans have moved to current due to breach in group's covenants. However, the banking facilities are in the process of refinancing. More detail is disclosed in the note 17.

The exposure of the company's borrowings to interest rate changes and contractual re-pricing dates at the end of the financial year are as follows:

	30.6.13 £'000	30.6.12 £'000
Between 2 - 5 years	<u>225,905</u>	<u>234,889</u>
	<u>225,905</u>	<u>234,889</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2013

12. FINANCIAL INSTRUMENTS

The company's principal financial instruments include investments, receivables, payables and borrowings.

Other financial assets and liabilities	30.6.13		30.6.12	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Assets				
Investments	9,952	9,952	11,839	11,839
Receivables	2,354	2,354	7,558	7,558
Liabilities				
Payables	(134)	(134)	(239)	(239)
Borrowings	(225,905)	(225,905)	(234,889)	(234,889)
Derivative financial instruments	(4,414)	(4,414)	(8,045)	(8,045)

In accordance with IAS 39, the company classifies the assets and liabilities in the analysis above as 'loans and receivables' and 'other financial liabilities', respectively. At the 2013 and 2012 year ends, the company did not have any 'held to maturity' or 'available for sale' financial assets or 'held for trading' financial assets and liabilities as defined by IAS 39.

For other financial assets and liabilities, which are all short-term in nature, the carrying value approximates to fair value.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	30.6.13 £'000	30.6.12 £'000
Interest rate swap	<u>4,414</u>	<u>8,045</u>
Analysed as follows:		
Non-current	<u>4,414</u>	<u>8,045</u>

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the maturity of the hedged item is less than 12 months.

The new interest rate swap position is £116,025,116 initial notional amount reducing to £26,066,694 by 30 September 2014 at a fixed rate of 5.965%.

14. ULTIMATE PARENT COMPANY

The company's immediate parent undertaking is D.U.K.E. Property Holdings (UK) Limited (formerly known as Valad Property Holdings (UK) Limited).

The company's ultimate parent undertaking, D.U.K.E. Real Estate Limited, is jointly owned by Uberior Europe Limited (a subsidiary of Lloyds Banking Group plc - a UK entity) and Valad Capital Limited. Valad Capital Limited's ultimate parent entity is Blackstone Real Estate Partners VI Limited Partnership.

D.U.K.E. Real Estate Limited is the parent company of the smallest and largest group for which consolidated financial statements are drawn up and of which the company is a member. Copies of the consolidated financial statements of D.U.K.E. Real Estate Limited can be obtained from Exchange Place 3, 3 Sempole Street, Edinburgh, EH3 8BL.

D.U.K.E. Properties (UK) Limited
(formerly Valad Properties (UK) Limited) (Registered number: SC226704)

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2013

15. CONTINGENT LIABILITIES

Following the refinancing of the Group on 22 March 2012, the facilities contain cross collateralisation and cross default provisions. The total Group debt outstanding as at 30 June 2013 is £832,851,000 (2012: £918,229,000).

16. RELATED PARTY DISCLOSURES

Amounts owed by parent undertakings

The funding of D.U.K.E. Real Estate Limited and its subsidiaries ('the group') is controlled centrally. Resources are allocated to different entities within the group according to their needs, which constantly vary due to differing trading patterns, seasonality and other factors. The amounts owed at the year end disclosed in note 7 are owed by various subsidiary and group companies.

Transactions with subsidiary undertakings

The following transactions were carried out with subsidiary undertakings:

	30.6.13	30.6.12
	£'000	£'000
Interest receivable	308	410
Impairment of receivables	-	-
Income from non-current asset investments	<u>112</u>	<u>1,420</u>
	<u>420</u>	<u>1,830</u>

Transactions with group undertakings

The following transactions were carried out with group undertakings:

	30.6.13	30.6.12
	£'000	£'000
Reversal of impairment of receivables	<u>12,533</u>	<u>21,482</u>

Transactions with joint ventures

The following transactions were carried out with joint ventures:

	30.6.13	30.6.12
	£'000	£'000
Impairment of receivables	(2,001)	(516)
Interest receivable	<u>157</u>	<u>720</u>

17. EVENTS AFTER THE REPORTING PERIOD

Outline Terms have been agreed in principle following the year end between the ultimate parent company D.U.K.E. Real Estate Limited and Bank of Scotland for a restructure of its facilities which remain subject to credit approval. More detail is disclosed in the statement of accounting policies note on page 16.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2013

18. FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury function on a group-wide basis under policies approved by the board of directors. The central treasury function identifies, evaluates and hedges financial risks in close co-operation with the group's operational managers. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

(a) Market risk

Foreign exchange risk

The group operates across Europe and is exposed to foreign exchange risk arising from various currency exposures with respect to the Euro and the UK pound. Foreign exchange risk arises on future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Interest rate risk

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. During 2013 and 2012, the group's borrowings were denominated predominantly in the Euro and Sterling.

The group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the group had borrowed at fixed rates directly. Under the interest rate swaps, the group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

At 30 June 2013, the group had interest rate swaps representing 39% of total borrowings. The group therefore has exposure to interest rate fluctuations on the under-hedged portion of its interest rate swaps. The group has to pay the difference between the fixed rate of the swap and the floating rate it is hedging against. The average fixed rate at 30 June 2013 between 2.4% and 5.4% higher than the floating rate.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks, as well as exposure to outstanding receivables. The group's policy is to manage credit exposure to trading counterparties within defined trading limits. All of the group's significant counterparties are assigned internal credit limits.

If any of the group's customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the group assesses the credit quality of the customer taking into account its financial position, past experience and other factors.

There are situations where the Group makes commercial loans to third parties. The group protects its position in these instances by taking preferred lending positions. The loans are individually monitored and assessed for recoverability.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 30 June 2013

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

The company is subject to the risk that it will not have sufficient borrowing facilities to fund its existing business and its future plan for growth. The group manages its liquidity requirements with the use of both short and long-term cash flow forecasts. These forecasts are supplemented by a financial headroom position which is used to demonstrate funding adequacy for at least a 12 month period.

The group's main source of liquidity is its property business. Cash generation by this business is dependent upon the reliability of rental income.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the central treasury function aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the company financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the gross contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
	£'000	£'000	£'000
At 30 June 2013			
Payables	134	-	-
Borrowings	225,905	-	-
Derivative financial instruments	761	(192)	3,845
At 30 June 2012			
Payables	239	-	-
Borrowings	-	-	234,889
Derivative financial instruments	5,974	357	1,714

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to its parent, issue new shares or sell assets to reduce debt.