

PPG Southern Limited

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

Registered Number: SC230150

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Report of the Directors

The directors present their report and the financial statements of PPG Southern Limited (the "Company") for the year ended 30 June 2012.

Principal activity and business review

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

The Company experienced another year of challenging trading conditions. Despite this the Company achieved a total of four property sales and significantly increased property proceeds compared to the prior year. Rental income has reduced from the prior year as a consequence of the property disposals. The trading performance has also benefitted from a reduction in administrative expenses with these factors contributing to a trading performance in line with the prior year. A full review of property values was undertaken at the financial year end against a background of poor market sentiment and wider economic uncertainties. This has resulted in a reduction in property carrying values in the year of £5.7 million. This adjustment has been treated as an exceptional charge in the year.

In summary the Company suffered a loss before tax and exceptional items of £0.7 million (2011 – loss of £0.6 million) in the year to 30 June 2012. The loss before tax including exceptional items amounted to £6.3 million for the year to 30 June 2012 (2011 – loss of £0.4 million). The net liabilities increased to £16.0 million at 30 June 2012 (2011 – net liabilities of £9.7 million).

Management continue to focus on lettings and sale opportunities and have contracted property sales in excess of £4.3 million subsequent to the year end.

Results and dividends

The trading results for the year and the Company's financial position at the end of the year are shown in the attached financial statements.

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

Directors of the Company

The directors who served the Company during the year were as follows:

Sir D E Murray
A Glasgow (resigned 10 April 2012)
L Higgins
M S McGill

Report of the Directors (continued)

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 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; and
- 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 disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Financial risk management

The Company's operations expose it to a variety of financial risks. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company.

Credit risk

The Company 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 and inter-company funding. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the Company.

Report of the Directors (continued)

Key performance measures

The Group monitors a wide range of performance measures in its management of principal risks and uncertainties. Key financial performance measures include property sales, operating profit, profit before tax and assets under management. 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. In relation to the year to 30 June 2012 the following key measures are highlighted below:

- Property sales of £8.3 million (2011 - £2.3 million);
- Loss before tax and exceptional items of £0.7 million (2011 – loss of £0.6 million);
- Property assets held at 30 June 2012 of £23.5 million (2011 - £37.4 million); and
- Continued focus on occupancy levels and rental yields across the property portfolio working closely with managing and letting agents to ensure the proactive management of existing tenancies and extensive marketing of current void space.

Auditor

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

BY ORDER OF THE BOARD



D W M Horne
Secretary
19 March 2013

Independent Auditor's Report to the member of PPG Southern Limited

We have audited the financial statements of PPG Southern Limited for the year ended 30 June 2012 which comprise the profit and loss account, the balance sheet, 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 page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with the applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditor's Report to the member of PPG Southern Limited (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, 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.



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

Profit and Loss Account

	Notes	Normal £	Exceptional £	2012 Total £	Normal £	Exceptional £	2011 Total £
Turnover	1	8,661,978	-	8,661,978	3,091,329	-	3,091,329
Cost of sales		(9,008,980)	-	(9,008,980)	(3,281,425)	-	(3,281,425)
Impairment losses on development properties	2	-	(5,659,996)	(5,659,996)	-	(570,290)	(570,290)
Reversal of impairment losses on development properties	2	-	-	-	-	743,000	743,000
Gross (loss)/profit		(347,002)	(5,659,996)	(6,006,998)	(190,096)	172,710	(17,386)
Other operating expenses	3	(309,470)	-	(309,470)	(415,673)	-	(415,673)
Operating (loss)/profit		(656,472)	(5,659,996)	(6,316,468)	(605,769)	172,710	(433,059)
Investment income	5	159	-	159	-	-	-
Interest payable and similar charges	6	(479)	-	(479)	(1,052)	-	(1,052)
(Loss)/profit on ordinary activities before taxation	7	(656,792)	(5,659,996)	(6,316,788)	(606,821)	172,710	(434,111)
Tax on (loss)/profit on ordinary activities	8	-	-	-	-	-	-
(Loss)/profit for the financial year	15	(656,792)	(5,659,996)	(6,316,788)	(606,821)	172,710	(434,111)

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

The Company has no recognised gains or losses in the current or prior year other than the reported loss for the year and therefore no Statement of Total Recognised Gains and Losses is presented.

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

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

Balance Sheet

	Notes	2012 £	2011 £
Fixed assets			
Tangible assets	9	-	-
Investments	10	2	2
		<u>2</u>	<u>2</u>
Current assets			
Stocks	11	23,503,000	37,430,357
Debtors	12	517,967	872,018
Cash at bank and in hand		67,778	119,965
		<u>24,088,745</u>	<u>38,422,340</u>
Creditors: amounts falling due within one year	13	<u>(40,067,418)</u>	<u>(48,084,225)</u>
Net current liabilities		<u>(15,978,673)</u>	<u>(9,661,885)</u>
Net liabilities		<u>(15,978,671)</u>	<u>(9,661,883)</u>
Capital and reserves			
Called-up share capital	14	1,000	1,000
Profit and loss account	15	(15,979,671)	(9,662,883)
Shareholders' deficit	16	<u>(15,978,671)</u>	<u>(9,661,883)</u>

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

L Higgins)
) Directors
M S McGill)

L Higgins
MS McGill

The Company's registration number is SC230150.

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

Statement of Accounting Policies

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

(a) Basis of accounting

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

No cash flow statement has been presented as provided by FRS 1 (Revised) as the consolidated financial statements of the ultimate holding company (Note 19) contain a consolidated cash flow statement which includes the cash flows of the Company and are publicly available.

The balance sheet at 30 June 2012 shows that the Company is in a net liability position. The directors have reviewed the trading prospects and projected cash flows of the business and have agreed funding from its immediate parent company (Note 19) based on these projections. Details of the parent company bank facilities are set out in the financial statements of The Premier Property Group Limited. On that basis the directors have a reasonable expectation that there are adequate resources to allow the Company to continue to realise its assets and discharge its 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) Consolidation

No consolidated financial statements have been prepared for the Company and its subsidiary undertakings under the terms of Section 401 of the Companies Act 2006 which exempts parent companies whose financial statements are included in the financial statements of larger group from preparing consolidated financial statements. Note 19 contains details of the ultimate holding company.

The Company's financial statements present information about it as an individual undertaking and not about its Group.

(c) Tangible fixed assets

Tangible 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 to 5 years

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

(d) Stocks and work in progress

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

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

Statement of Accounting Policies (continued)

(e) 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.

(f) 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 Company's taxable profits and its 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.

(g) Turnover and revenue recognition

Turnover is net of VAT and has been wholly generated in the United Kingdom. Rental and management fee income are recognised as they are earned. Income from the sale of development properties is recognised when the transaction is complete.

Notes to the Financial Statements

1. Turnover

Segmental information:

	2012 £	2011 £
Rental income	336,629	487,787
Other income	23,000	258,209
Management fees	-	58,333
Property sales	8,302,349	2,287,000
	<u>8,661,978</u>	<u>3,091,329</u>

2. Exceptional items

The charge in the current year of £5,659,996 (2011 - £570,290) relates to a reduction in the net realisable value of stocks.

The credit in the prior year of £743,710 related to a net reversal of previous impairments in the net realisable value of stocks during that year.

3. Other operating expenses

The following is included in other operating expenses:

	2012 £	2011 £
Administrative expenses	<u>309,470</u>	<u>415,673</u>

4. Staff costs

The Company had no employees during the current or prior year. The directors are remunerated by another group undertaking and their remuneration, where appropriate, is disclosed in that company's financial statements. The Company's aggregate amount for directors' remuneration in respect of services directly attributable to the Company is as follows:

	2012 £	2011 £
Emoluments	-	91,545
Compensation for loss of office	-	95,900
	<u>-</u>	<u>187,445</u>

The aggregate emoluments of the highest paid director during the year were £Nil (2011 - £187,445) including pension contributions of £Nil (2011 - £13,468). The compensation for loss of office in the prior year included the contractual entitlement to payment in lieu of a notice.

Notes to the Financial Statements (continued)

5. Investment income

The following is included in investment income:

	2012 £	2011 £
Other interest	159	-
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6. Interest payable and similar charges

The following is included in interest payable and similar charges:

	2012 £	2011 £
Other interest	479	1,052
	<hr/>	<hr/>

7. Loss on ordinary activities before taxation

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

	2012 £	2011 £
Auditor's remuneration for audit services	5,000	5,000
Depreciation on tangible fixed assets	-	11,720
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Notes to the Financial Statements (continued)

8. Tax on loss on ordinary activities

	2012 £	2011 £
UK corporation tax	-	-

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

	2012 £	2011 £
Loss on ordinary activities before taxation	(6,316,788)	(434,111)
Tax on loss on ordinary activities at standard UK corporation tax rate of 25.5% (2011 - 27.5%)	(1,610,781)	(119,381)
Effects of:		
Depreciation in excess of capital allowances	-	3,223
Unrelieved tax losses arising in the year	1,605,681	118,908
Other short term timing differences	5,100	(2,750)
Tax for the year	-	-

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

In the opinion of the directors there is an unprovided deferred tax asset of £4,380,899 (2011 - £3,103,610).

Notes to the Financial Statements (continued)

9. Tangible fixed assets

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

	Plant, equipment and vehicles £
Cost or valuation	
At 30 June 2011	185,862
Disposals	(174,142)
At 30 June 2012	11,720
Depreciation	
At 30 June 2011	185,862
Disposals	(174,142)
At 30 June 2012	11,720
Net book value	
At 30 June 2012	-
At 30 June 2011	-

10. Fixed asset investments

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

	2012 £	2011 £
Cost and net book value		
Investment in subsidiary undertakings	2	2

The subsidiary undertakings at 30 June 2012 were:

	Country of registration	Principal activity	Holding
Charles Avenue Burgess Hill Management Company Ltd	England	Property management	100%
Connect 10 Estate Management Company Ltd	England	Property management	100%

Notes to the Financial Statements (continued)

11. Stocks

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

	2012 £	2011 £
Land and development properties	<u>23,503,000</u>	<u>37,430,357</u>

Cumulative interest included in the cost of work in progress, taking into account property disposals and adjustments to net realisable values, amounts to £1,218,179 (2011 - £1,731,717).

12. Debtors

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

	2012 £	2011 £
Trade debtors	90,254	73,899
Amounts due from other group undertakings	99	371,644
Other debtors	3,171	2,430
Prepayments and accrued income	424,443	424,045
	<u>517,967</u>	<u>872,018</u>

13. Creditors: amounts falling due within one year

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

	2012 £	2011 £
Trade creditors	497,435	362,257
Amounts due to other group undertakings	39,160,995	47,177,507
VAT	47,128	4,323
Other creditors	104,052	116,937
Accruals and deferred income	257,808	423,201
	<u>40,067,418</u>	<u>48,084,225</u>

The inter-company funding has no fixed repayment date, is unsecured and no interest is charged. Details of the bank facilities are set out in the financial statements of The Premier Property Group Limited.

Notes to the Financial Statements (continued)

14. Called up share capital

	2012 £	2011 £
Allotted, called up and fully paid: 1,000 Ordinary shares of £1 each	1,000	1,000

15. Profit and loss account

The movement in the year was as follows:

	£
Balance at 30 June 2011	(9,662,883)
Loss for the financial year	(6,316,788)
Balance at 30 June 2012	(15,979,671)

16. Reconciliation of movements in shareholders' deficit

	2012 £	2011 £
Loss for the financial year	(6,316,788)	(434,111)
Opening shareholders' deficit	(9,661,883)	(9,227,772)
Closing shareholders' deficit	(15,978,671)	(9,661,883)

17. Guarantees and other financial commitments

(a) Capital commitments

There were no capital commitments at 30 June 2012 (2011 - £Nil).

(b) Contingent liabilities

The Company has guaranteed bank borrowings of the Company, its ultimate holding company, Murray International Holdings Limited and certain fellow subsidiary undertakings by cross guarantees. The total contingency at 30 June 2012 amounts to £286,994,867 (2011 - £542,470,008). These guarantees are secured by a bond and floating charge over the assets of the Company and by standard securities and/or legal charges over certain properties.

(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 the group, and failure by other members of the group to meet their VAT liabilities would give rise to additional liabilities for the Company. The directors are of the opinion that no additional liability is likely to arise.

Notes to the Financial Statements (continued)

18. Related party transactions

The Company has taken advantage of the exemption in FRS 8 "Related Party Transactions" from disclosing transactions with fellow group undertakings.

19. Ultimate holding company

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

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

20. Ultimate control

Sir D E Murray a director of the ultimate holding company (Note 19), and members of his close family control the Company as a result of controlling directly or indirectly 70% of the issued share capital of the ultimate holding company.